Daily Report

East Europe

FBIS-EEU-95-002
Wednesday
4 January 1995

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Foreign Minister Returns to Work After Treatment

AU0401121295 Tirana LAJMI I DITES in Albanian 20 Dec 94 p 1

[Report by A. Milo: "Foreign Minister Serreqi Back to Work"]

[FBIS Translated Text] Foreign Minister Alfred Serreqi resumed work yesterday, with the regular meeting of his ministry's collegium. He returns to his office after an absence of more than two months. As is known, Minister Serreqi headed the Albanian delegation in the general debate of the 49th Session of the UN General Assembly. After that, he was treated in New York for a cancerous growth on his vocal cords. After the necessary treatment, which according to examinations was successful, Minister Serreqi is already back at work.

Berisha Makes Assessments in News Conference

AU0401102195 Tirana Radio Tirana Network in Albanian 1500 GMT 28 Dec 94

[News conference by President Sali Berisha with foreign and domestic reporters in Tirana on 28 December—recorded]

[FBIS Translated Text] [Berisha] I decided to hold my last meeting for this year today. Of course you have questions, and I remain open to every question.

[Antoneta Malja, Radio Tirana] Mr. President, how would you define the balance for 1994, compared with 1993; and, at the end of the year, what are some of the goals for 1995? The second question is: During this period, there has been a lot of discussion about the national radio-television. What is your opinion as regards the status of this institution? Thank you.

[Berisha] The year 1994 was another year of democracy for Albania—undoubtedly a year with difficulties but also a year with important achievements. I can say that 1994 marks an increased and consistent consolidation in Albania's role, the consolidation of democracy in Albania, and of the market economy. As regards the political level, I think that during this year, the activity of the Albanian Government and of Albania in general has been more intensive than ever before in its history.

In the case of Albania's cooperation with the great powers of Europe—Germany, Italy, Great Britain, France—and with the United States, over a period of one year this cooperation has seen a level never reached before. A series of agreements have been signed and a series of visits exchanged with these countries. Last, a friendship treaty was signed with France. I would say this is an important event in the history of Albania's relations with this country, one of the main pillars of the European Union [EU] and democracy. Relations have attained a totally different level with Great Britain. Relations with Germany continue to have priority as regards the visits we have exchanged and the great assistance Germany has rendered to Albania. Relations with Italy have their own priority as well. That is why I can say that in this respect Albania's political activity has been more intensive than at any other time. Relations with the United States have seen concrete and very important developments. Cooperation with the United States has been particularly fruitful in the field of defense and security, in the common commitment in maneuvers and concrete accomplishments.

I would say that 1994 is undoubtedly marked with success and undeniable achievement as regards Albania's regional policy. During the year, visits and high-level meetings were held with Turkey, Bulgaria, Romania, Croatia, and Macedonia [The Former Yugoslav Republic of Macedonia, FYROM]. Thus, generally speaking, we have signed treaties and agreements with Balkan countries that are, constitute, a new basis for our cooperation with these countries.

Albania's activity is not limited only to leading countries or regional countries. Albania has developed political activity and a close political cooperation with many other countries in Europe and the world. We can mention here China, Japan, Malaysia, Switzerland, Denmark, the Netherlands, Sweden, Egypt, Pakistan, Slovenia, Austria, i.e. there are a number of countries with which cooperation has reached a new level, and I would say that all these have served and continue to serve not only Albania's opening and integration but of course its security and role in preserving peace and stability in the region as well.

Albania's cooperation with international organizations and important international institutions has also known new levels. We signed the Partnership for Peace, and this constitutes an important achievement. At the same time, important steps are being made in cooperation with the Council of Europe [and] the EU—and what is a special achievement for Albanian policy and diplomacy and the efforts and resistance of Albanians in Kosova is the latest resolution regarding the human rights situation in Kosova, which was approved by the UN Assembly by a great majority of votes. I would say that regarding the political level, 1994 has marked significant progress for Albania in regional and European cooperation and in its cooperation with many other friendly countries on other continents.

However, 1994 was undoubtedly a year of consolidating democracy and the market economy. Albania is Europe's poorest country and will remain so for many years. Accepting this, it is understood that we also project another image: that of a country that has faced, and will face, serious difficulties on the road to establishing democracy, and serious difficulties on the road to setting up a market economy.

Let us take only one aspect that highly complicates the economic situation in Albania and the economic development of Albania: the lack of infrastructure. Albania is

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the only country in Europe that does not have an adequate infrastructure and the revival of this infrastructure—i.e. for Albania to have new road, telephone, aqueduct, and intercommunications networks and another electricity supply grid—would require dozens of billions of dollars, and the replacement of these networks is becoming increasingly imperative. As a matter of fact, five years ago our roads were adequate and more than adequate for the 10,000 or 15,000 vehicles in the whole of Albania, whereas today, in only one district there are as many vehicles as there were previously in the whole of Albania. Our phone system was efficient for the extent to which calls abroad were allowed. At the same time, the electricity grid was sufficient for lighting. The lighting of Albania was achieved, but cooking and heating were in no way included with it, as is well known. Thus, the development of the market economy continually shows our current infrastructure to be below standard every day, month, or even longer. It is not only the lack of infrastructure that is causing Albania difficulties; it is also the outdated technology we inherited, a technology that is not only out of date now, but has been for 10-15 years—and its inability to function has practically created unemployment, which is another serious problem.

However, if we look at reality, if we see things alongside these difficulties, Albania continues to have the most dynamic economic and macroeconomic indexes of all the countries of Eastern Europe. I consider this, i.e. the repetition and persistence of these indexes this year, to be an extremely important achievement. Thus, macroeconomic stability and its consolidation constitute an achievement that, in my opinion, is one of the most important in the history of our development. We are the poorest country and a country full of those difficulties, but at the same time we realized an 8-percent increase in the GDP this year. We attained an inflation level lower that the one foreseen by the IMF. I can give you some figures that reveal the macroeconomic stability.

Exports increased by 30 percent at a time when imports remained almost at the same level. There is an increase in imports, not a great one but an insignificant increase. Another fact is that income from Customs has increased 50 percent. What is extremely positive is the increase of savings. This is also a very important index. In 1994 savings increased 70-80 percent over 1993. There is a three-fold or more increase in the accomplishment of foreign investments in Albania this year as compared to 1993.

I think that you would render a real service to democracy if, alongside legitimate and indispensable criticism of the government, which should be a permanent function of the free and independent press, you would also reflect these achievements, because macroeconomic concepts are not very clear to the broad public in the sense that...[pauses] Let us take inflation. We come from a society in which there was no inflation for 50 years. However, if there is a factor that kills hope and kills the prospect of free initiative, of both businessman and employee, or anyone else, it is inflation. Thus, for Albania to control inflation from 400 percent two years ago and reduce it to approximately 15 or 16 percent I think is an extremely important achievement. Indeed, the trend, tendency, to both economic expansion and control over inflation is guaranteed to be positive for the coming year as well.

We say there is an 8-percent increase in GDP, but the increase is greater. Why? The increase is greater and I tell you that we calculate...[pauses] Let us take the volume of constructions, or only constructions in the city. However, I am sure that 50 percent of constructions in Albania today, or approximately 40 or 50 percent, are in villages—for which there are no statistics at all. We add to this other deviations in statistics. Thus, the economic increase over this year has created the basis for a further economic increase. I think that thanks to the macroeconomic stability that has been accomplished and consolidated—and is still being consolidated—if we manage to create a regime that favors exports and accelerates privatization, Albania will finally be placed on a quick track to development, and this would be an extremely important thing for the country.

I hope that the government should—or, I think it is the task of the government to—create this regime, because free initiative—or, an Albanian with initiative—is an extremely strong individual. He is a very strong individual, as he is proving. Such an individual has resistance, imagination, honesty, strength, correctness. He has it all. In practical terms, if we look at the extent of this initiative, it is increasingly being expanded, always on the rise. Thus, should we have done more? Yes, definitely.

I would stress here, particularly, the energy and attention that should be given to realizing public and state investments. This is another factor influencing the circulation and use of monetary values. I have much respect for the entire range of activity of our financial institutions, but the state of banking systems is unacceptable. There are currently large deposits of money in Albania that, for lack of an adept and efficient banking system, do not manage to get invested and circulate. I can say that alongside the consolidation of macroeconomic stability, democratic values in Albania and Albanian state institutions have undergone an important consolidation.

Reform in the legislative field has been extremely important and continues to remain one of the priority areas. With intensive work, Albania and its parliament have managed to substitute dozens and dozens of old laws with new ones, to fill in the great legislative gap we have inherited; they are now, or perhaps next month, taking on the civil code and the penal code. Thus, even in the legislative field, there have been very important achievements. Are there any defects here? Undoubtedly, there are. We should see things as they are.

Athough many laws have been endorsed, we cannot say that the same result has been achieved in executing laws.

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That is why I would say that one of the great priorities for the coming year would be the implementation of laws. There is not, and will not be, democracy without the execution of laws. There is not, and will not be, a rule of law without the execution of laws. This is a somewhat special period because of laws that are lacking and those that are endorsed and numerous. Their execution, of course, requires its own mechanism and time. Undoubtedly, I think that the implementation of laws should be one of the major priorities for all the institutions of the Albanian state today, i.e. a rigorous implementation of laws.

Thus, I would say that a powerful test for the establishment of democracy in Albania was the referendum. A draft constitution was presented and was not approved by the people. However, I think that Albanians and the Albanian people treated this issue with the same maturity as peoples with a developed democracy treated their referendums, which were either lost or won. I say that this is also a certain testimony to the consolidation of democracy and its values, and to the vote that exists today in the mind of every Albanian [words indistinct] and the respect for the free vote. I think that is one of the centers and the one of the most important [word indistinct] of the democratic position stance and democracy in a country.

After the referendum, there were some misunderstandings. There were some who considered the referendum to be a pretext to revive the demons of Marxism, and celebrated the 50th anniversary of liberation by cheering Enver Hoxha or party-Enver. I think these individuals did not read the message of the referendum properly. The message of the referendum, the lesson of the referendum was not Enverism, no. It was democracy. Because before cheering party-Enver, one should first think about Spac and Burrel. And your civil consciousness should impose on you and ask you to recall Spac and Burrel, where many suffered, or the camps of Lushnje, Gramsh, and Ballsh, where dozens of thousands of Albanians suffered as well.

However, I can say that in general, the result of the referendum was interpreted as a... [pauses] or: the way the referendum was treated, signified a consolidation of democracy in Albania. Thus, the year 1994 has been a year of consolidating democracy and the market economy, a year of indisputable political achievements in Albania.

I would say that the major goals for the coming year should be massive privatization. During 1994, about 2,500 medium and small enterprises were privatized, at twice as high a value as the units and enterprises privatized in 1993. However, to be realistic, the rates of privatization could and should have been quicker. Thus, the distribution of securities and the engagement in massive privatization should, in my opinion, be one of the most major goals for the coming year.

As regards the aspect of foreign policy, another very important goal should be Albania's integration into Europe and international institutions, as well as regional cooperation, always taken together.

In the sphere of laws, I declare that a serious commitment by political forces to provide the country with a constitution and the execution of laws should be another major goal. Another goal should be to increasingly and widely expand the space for free initiative. The state should see and use all mechanisms to facilitate, favor, and expand the space of the individual and his initiative. I think that in this connection, apart from privatization, this would serve to [words indistinct] some other acts in agriculture.

It is not a problem only of subsidies here, but as regards the land reform, I think it is high time for parliament to donate, as per the law, the land that has been given to peasants in the farms. There is no reason for the state to be owner of hundreds and thousands of hectares of land. This would influence these farmers positively and bring them together more. I hope that next year, parliament will consider their interest for land an important measure.

As regarding the status of the nation's radio-television, I think time has come for the status to change in two directions. First, I would like to appraise the entire team and the work that has been done. However, the television should have a public status, as the first step, since it is thought that there should be private funding. Personally, I am convinced that private enterprise should permeate all fields without exception. I see no reason for Albanian Radio-Television to be related to any institution, even to parliament. Why should it remain related to parliament? The government has no newspaper, parliament has no newspaper—while Albania has hundreds of newspapers. They provide information quite well. I do not understand why television should be dependent on parliament. It seems the time has come to study the public variant of passing into a public mass media. Some months ago, a seminar was held, organized—if I am not mistaken—by a number of foundations here. Experience can be taken from other countries that have these public means. A law and a statute can be drafted. I think it would perhaps serve better, for the fact is that we may—and should—move toward private networks. It is a practice that has proved to be successful.

[Unidentified correspondent] Mr. President, first I would like to ask you about the problem of governing the country. After the 6 November referendum, the Democratic Party [PD] remained alone in the governmental coalition. Do you think the PD is capable of governing the country alone until the next elections, or has it thought about new alliances and coalitions? Second, I would like to ask about the issue of the constitution. More than two months have passed since the referendum and no step forward has been made so far. A number of opposition parties have taken the initiative to present a project without the PD—a project that has few chances,

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since the PD has the majority in the parliament. Does the president of the Republic offer any new solution to this question? Thank you.

[Berisha] As regarding whether or not the PD is capable of governing the country, I think that the PD is totally capable of governing the country until elections. Of course what I am saying does not at all—and will not—exclude the PD's right to seek alliances and renew alliances in the arch of the allies defined by this party. I think the PD will always remain open. The alliance exists. I think that the alliance with parties has not been broken. I do not consider broken the PD's alliance with parties with which it has been in alliance. There is a rift in the coalition in the government, but only in the main power, not at all levels. In fact, there is cooperation with other parties, a cooperation that can be expanded. I have always been, and am still, in favor of expanding the base, despite the fact that the PD possesses the necessary parliamentary power to govern the country.

As regards the constitution, I do not think that nothing has been done. There are no concrete results yet, but the parties are talking, and have agreed to create a parliamentary commission. The PD accepted the percentages that they agreed on at this meeting and accepted the way the parliamentary commissions are to proceed. Here before you, I proposed as a compromise—and the PD accepted—to chose one of the 15 EU-country models as a model for the division of power. I hope that this proposal constitutes a very wide base of compromise and consensus.

There is disagreement among the parties and I do not know how long the efforts to create a constitutional commission will retain their legitimacy, because according to an article of the constitutional provisions that dates from 1991, not 1992, these provisions remain in effect until the new constitution—which is drafted by a commission elected and appointed by the Albanian parliament—is approved. Thus, only one commission has the legitimacy to draft a constitution today and and that commission must be elected by the Albanian parliament. Attempts to draft a constitution with commissions that are not appointed by parliament or commissions that do not have parliamentary legitimacy seem to me to be not very serious attempts, attempts that aim to sideline the issue of the constitution.

What are the other initiatives? I will always encourage the political forces and I will definitely not give up encouraging them to reach a compromise, because compromise is possible. I believe it is in the interests of all political forces for Albania to acquire a constitution. I said a long time ago—and I repeat—that Albania does not have a legislative vacuum. And you...[rephrases] this is also known by international institutions today. There are countries that have remained with constitutional laws such as ours for dozens of years. In my opinion, however, this does not mean it is wise for the Albanian political forces not to cooperate now in order to finally give the country a constitution, rather than leaving it simply with constitutional provisions.

I do not see any major obstacle, as a far-reaching compromise has been offered. On the other hand, if we read or interpret the results of the referendum, I think that the clearest message was compromise. The referendum showed that a compromise should be reached about the constitution. The people wanted another draft constitution, one better than the existing one—and this draft should be compiled through compromise.

It does not seem to me that by excluding others in general either side can exclude each other. In my view, the main political forces in particular can in no way exclude each other regarding the issue of the constitution.

A proposal has been made that the constitution be approved by a simple majority of 50 percent of parliament. However, the constitution cannot be approved by 50 percent of parliament. That is no approval. Nowhere does there exist approval of the constitution with 50 percent. It can later be ratified or approved, or a compromise can be reached beforehand regarding certain points, or a referendum, a common consensus, and then it can be ratified in parliament. This is normal. However, I again think that a compromise or a way to compromise will be found.

[Unidentified reporter] Mr. President, you have spoken several times about the fight against corruption. It seems, in fact, that this fight remains only a target of party polemics. Meanwhile, corruption and illegal trafficking continue to attack peoples' very lives. The political parties continue to quarrel. The role of the state is not yet felt to be strong. Do you think that this is in the people's interest?

The second question is: What would be Albania's reaction under conditions of mounting repression by the Macedonian Government against Albanians?

[Berisha] Corruption is one of the most bitter inheritances, and it underwent a galloping development in the last years of the dictatorship and unfortunately carried over into the post-dictatorship period. If we look back over the last five years, I can say that no Albanian has been able to buy a refrigerator or a television set without paying a second bill to get the authorization papers—to say nothing of trying to secure a job or something else! Unfortunately, this psychology gained a foothold, making its way into the period after the dictatorship, and even today.

Corruption is a serious problem in all democratic societies. It is one of the most disturbing problems and should be fought more actively. The way to fight corruption effectively is to consolidate institutions. I do not see the fight against corruption as being the act of any one individual or another. The fight against corruption is a fight that is realized through consolidating the law and

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the institutions responsible for fighting that corruption. Has Albania fought against it? It is still fighting? I think it is fighting a lot.

If we refer to the information of the Investigation Office—which unfortunately does not communicate with you at the required level, while it should do so, and inform you regularly—I can say that Albania and its government has made serious efforts to fight corruption. There are facts and arguments to support this. The number of those who have been punished is not small. People from all fields have been imprisoned and dismissed. However, a more rigorous judicial cadre is required.

There is currently a law in parliament on politicians' declaring their property. This is extremely important. All politicians, starting with the head of state, should honestly declare all their income and its origin, i.e. the way this income is obtained. This is a very important condition. We should also testify about all our activities, how we support these activities, and on what financial means they are based. This is not only for politicians but for citizens as well, so that money can be recognized as clean money. This law will also be endorsed soon.

As regards illegal trafficking: This is also a serious problem. The Interior Ministry forces—perhaps even, in special cases, in cooperation with the Navy—should strengthen their control over the coast. They should establish closer cooperation with Italian guards, although the real solution to this problem is Albania's economic development. This does not at all justify people's departure; but to be sincere and realistic, Albania will be considered a developed country only when there is no need for Albanians to leave it. I would consider this to be the most powerful and important, the most convincing, indication of Albania's development.

Our viewpoint is—and remains—that the stability of Macedonia is very important for the region. However, this stability can exist and be realized only with full respect for the human and national rights and freedoms of Albanians. Any repressive policy against Albanians does not—and will not—have any consequence other than destabilization in the region. I hope that the government of Macedonia will make possible the education of Albanians at all levels. I am absolutely convinced that this education—the universities and other schools—will only serve Macedonia's development and its progress and stability.

The Albanian Government is ready to offer its assistance in this regard, with university teachers and those modest means within its purview. Universities and schools do not threaten any country. They just develop them. This is my stand on this.

[Unidentified correspondent] Why do the pardons and easing of verdicts for minorities not include the blockmen [former leading Communist cadres] as well as Fatos Nano, when it is said that he is imprisoned for being the chairman of the Socialist Party [PS]? The second question is: Why was a new Meksi cabinet created when former, dismissed, ministers were declared neither incapable nor corrupt? What do you think about the dismissal of Deputy Prime Minister Kopliku?

[Berisha] I find your first question not very correct, in the sense that the decree on pardons included not only the five Albanian citizens of Greek origin, and easing of their verdicts, but also 60 or 70 other Albanian citizens. The pardons granted by the head of state are a constant and permanent act.

Why did it not include the blockmen and PS chairman? First, I want to clarify that the PS chairman is not in prison for being the PS chairman. This has no connection to his being the PS chairman. If the problem is posed in such a way, then I think chairmen will never bear responsibility before the law, and will become people who would break laws and place themselves above them. This is a very faulty mentality.

This time the pardoning affected 69 people, who were included in the decree. However, I want to assure you of one thing—I myself have not accepted, nor will I accept, any kind of discrimination as regards the easing of verdicts and pardons. In realizing this act, I do not acknowledge any discrimination. This is my position. The head of a state cannot discriminate as regards pardons, as the prerogative to pardon is an act exerted on the basis of convictions, proposals, etc., as there are many factors that influence. The fact that a person is not pardoned does not mean that he is discriminated against. Not at all. If it is interpreted in such a way, the interpretation is incorrect. Of course, the decision to pardon is a decision made after analyzing a series of factors.

As regards the cabinet, I would like to expound here, for a moment. As regards reshuffles in the cabinet, or in changing the structure of the government, I am convinced that Albania has no realistic need for 20 or more portfolios. I think Albania could make do with even fewer. I salute the government for the structure it proposed, and also for the low number of government employees we have, which is among the lowest. Albania pays 170,000 government employees altogether.

If we go further, there are two sectors that are slightly above the norm, but they are determined by present conditions and relief [as heard], by the lack of infrastructure and urbanism that is imposed on us. In all other respects, we are definitely below the standard minimum number of government employees. This is one of the important factors in the country's macroeconomic stability. So, in my opinion, the reduction of portfolios and ministries has been a very important step. Perhaps in the future—I cannot specify months, but in the coming years—Albania will need fewer portfolios and fewer ministries. We are moving toward privatization and free initiative. The function and concept of ministries, as well as their role, will be different. They will always move toward change.

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I cannot say that the construction minister was dismissed for the same reason as the minister whose ministry was merged. The construction minister was dismissed because investments were not realized at the proper level. There was a lack of achievement in investments, in his sphere.

As regards corruption, I hope that it is not up to the head of state to proclaim or declare that this is a function that belongs entirely to the Procurator's Office and relevant bodies and not to the head of state. I am not informed. One thing you can be certain of: No one is taken to task for speaking out. On the contrary, institutions are encouraged to attack corruption with the entire force of law.

As regards Mr. Kopliku, I would like to state here that Mr. Kopliku has undoubtedly been one of the promoters of the reform, and has made an invaluable contribution in developing the reform. However, on the other hand, he has not developed a sense of teamwork, a sense that is extremely important for governing. He had several disputes with the chairman of the government, and this is why Mr. Kopliku was not included in the new cabinet. I trust this government. I am fully convinced of its ability to direct the reform. I am convinced that next year will be a year to accelerate the reform and mark out a greater space for free initiative.

[Hamdi Jupe, ZERI I POPULLIT] Mr. President, allow me to return to the Nano question. There has been a reminder by 46 deputies and a statement by the Albanian Helsinki Committe addressed to you, as president of the Republic, to speak on this issue, since only you have the prerogative on the matter. What would your comment be, on these two statements?

The second question is related to a phenomenon that is occurring in all eastern countries. Four years after the overthrow of Communism, the left wing has come to power in all these countries. Do you think that the same thing will happen in Albania in the 1996 elections? Would it be better to hold elections before 1996? Thank you.

[Berisha] As regarding the reminder, I have read a reminder from one group of honored deputies who, together with a statement by the Helsinki Committee, demand release, which is not a prerogative of the president of the Republic. The president has a prerogative to pardon, a reprieve that is realized through judicial procedures. I have read a statement by a group of deputies who demand and insist that we condemn corruption and fight against it. There is speculation in Italy that legal proceedings have been initiated against several high-ranking officials regarding aid to Albania and other things.

What I can say is that this has no political overtones, and it seems to me that this government has clearly proven—and you should be certain that it continues to prove daily—that it will not give political overtones to corruption. I fully understand both the reminder and the statement by the Helsinki Committee, as well as the statement by the deputies of the majority. I think the fight against corruption should be a very important direction in a democratic society.

The phenomenon that has occurred in the eastern countries has no chances of being repeated in Albania. Why? When you, Mr. Jupe, and many others visited the eastern countries—or not only you, but when Albanian visitors went to eastern countries, they came back and said that these countries had not been under a dictatorship. They were under a dictatorship. This is true. However, the difference between Enverism and all eastern dictatorships was substantial, because at the time when Enver was building bunkers, Ceausescu was building flats. Of course, undoubtedly [word indistinct] and by using planning and by (?blaming) the Romanian people. This cannot be denied. However, the truth is that he was a dictator of another time.

Mr. Jupe, you should know that while Enver Hoxha was stating in the constitution that foreign investments in Albania were prohibited and considered high treason, Janos Kadar was introducing multinationals, to build chains of hotels in Budapest and other countries that even today compare with European standards. However, [words indistinct] you should not compare the incomparable. I am convinced of the wisdom of Albanians.

[Ndreke Gjini, RILINDJA DEMOKRATIKE] I have two questions: Do you think that an emergency electricity situation can be avoided? The second question is: Journalists have written that the Greek military attache's accreditation was approved only after Athens offered Albania electricity? How would you comment on this issue?

[Berisha] I would start with the second question. The truth is the following: The Greek Government was informed, perhaps in Budapest—but certainly, and I am saying it here—through Italian Foreign Minister Martino and German Foreign Minister Kinkel that Albania had decided to return the military attache because...[rephrases] Excuse me: Before this, Greece was invited to observe the Albanian-U.S. maneuvers that are to be held at the end of January. This has no connection to the issue of electricity. I am very grateful to Greece for the assistance given, but these are two unrelated matters. They are completely unrelated.

Reporters have perhaps concluded what they have concluded because the Greek ambassador came back during the time we were importing electricity. That is the reason there is a certain basis for the correlation the reporters have made, but the truth is this. They were told about this in Budapest. There is a constant desire on the Albanian side—and, it seems, also a bilateral desire—to improve relations between the two countries. We are open to dialogue. We have always been, and remain,

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open to developing good-neighbor relations with Greece on the basis of reciprocal interest.

As regards the electricity crisis, I can say that the energy problem is a very great problem. The crisis could, however, have been averted. What might the electricity crisis relief mechanism have been? In my opinion, it could have been privatization. If we had privatized, and relevant ministries had taken measures to privatize the electricity supply network, I am convinced that the private owner would have found the necessary mechanisms to prevent and avoid the use of electricity for heating—because if we consider the current electricity network, it withstands cooking and lighting for the greater part of the year. This network does not withstand heating, however. That is why it is impossible to use electricity for heating. So, along with privatization, the government should take measures to develop alternative means of heating—gas, in my opinion, and above all kerosene—maybe even, at first, offering subsidies itself. Only at first and then later... [rephrases] However, the development of alternative means of heating and privatization of the network under 6 kV is the quickest way to overcome the crisis.

I cannot say that we will not face difficulties, as there were four or five months without enough rain—but this would have relieved the situation. We should pretend to [word indistinct] electricity.

Of course, establishing hydropower and thermal stations is a necessity, but this cannot be an immediate solution. This requires medium or long-term projects.

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Klaus on Chechnya: Inexcusable Mistake by Yeltsin

AU0301173895 Prague DENNI TELEGRAF in Czech 30 Dec 94 p 3

[Interview with Prime Minister Vaclav Klaus by Viktor Krejci; place and date not given: "I Deliver My Opinion on Privatization Projects All the Time"]

[FBIS Translated Excerpt] In today's regular interview with Prime Minister Vaclav Klaus, we deal, first and foremost, with the accusation that the prime minister and his adviser Martin Kocourek interfered in the privatization of the Petrof state enterprise. Other topics are the four years of our currency's stability, the situation in Russia, and the affair of Kreditni a Prumyslova Banka [Credit and Industrial Bank]. [passage omitted]

[Krejci] Yesterday, 29 December, it was 48 months since the last devaluation of the koruna. The rate of exchange has been kept stable since then. How do you view this fact?

[Klaus] I am glad someone has recalled this fact. For us and for me personally, this was one the toughest decisions I have had to make in my political career. The moment of the koruna's devaluation and the simultaneous liberalization of foreign trade were a breakthrough for our entire economy and for economic transformation. The fact that we have managed to keep the exchange rate stable for four years—that is, for 48 months—is an absolutely unique result that is without analogy in any other postcommunist country.

[Krejci] How do you view the situation in Russia, particularly in connection with the events in Chechnya? Yegor Gaydar supposedly does not want to speak out against Yeltsin for fear that his place would be assumed by someone who would be much worse.

[Klaus] I do not want to speculate on who would assume whose place and whether he would be better or worse. But the situation in Chechnya is a classic example of the failure of a politician and politicians in search of a political solution. I have the feeling that this is an inexcusable mistake. I know myself very well how often I feel tempted to pound my fist on the table and say that I will simply no longer negotiate with this fellow or on that issue, that it is pointless. But I am not going to do it because I know that some compromise has to be found. I believe that this has been put to a test many times in our country, most visibly to everyone during the complex negotiations on the partition of the Czechoslovak Federation. There were a thousand moments during these negotiations where one could have said "I am fed up." But such a thing simply must not happen to a politician, and, if it was allowed to happen in Russia, it is a gross political mistake with tragic consequences for the ordinary citizens of Chechnya and, in the final analysis, for Russia as a whole.

[Krejci] You have signed two law amendments [to the law on administrative fees and to the law on the employment of authorized architects, engineers, and technicians] that the president had returned to parliament. Do you think the president should have taken an interest in those laws before they appeared on his desk?

[Klaus] Let us not seek a sensation in what happened. This simply was a case of our standard constitutional mechanisms at work. The government submitted a draft, parliament approved it, the president did not sign it, parliament met again and reapproved it, it was then taken to my country house, where I signed it during the Christmas holiday, and the law thus takes effect. From the formal viewpoint, everything is in perfect order, and I think that each participant in this whole process—that is, the president, government, and parliament—simply upheld his view and played his card. And that is probably good.

[Krejci] The affair of Kreditni a Prumyslova Banka and [its chief executive] Mr. Moravec has appeared on the scene. There is talk about the Civic Democratic Alliance [ODA] and the Christian Democratic Union-Czechoslovak People's Party in connection with this affair because both parties had borrowed money from that bank. The silence of the Civic Democratic Party [ODS] on this affair is strange, in view of the fact that both of your coalition partners have been seizing every suitable opportunity to criticize the ODS. Why do you not take advantage of this situation?

[Klaus] I believe it is not necessary to pay back in kind. The affair certainly is not pleasant for ODA and the KDU-CS,L and it definitely will not make their chiefs sleep better and their holidays more peaceful. But I do not see the slightest reason for me, as ODS chairman or as prime minister, to pass judgment on it. There simply exist bodies that are in charge of those matters and that deal with them. [passage omitted]

[Prague LIDOVE NOVINY in Czech on 30 December on pages 1 and 3 carries a 700-word interview with Vaclav Klaus by Eva Martinkova entitled "New Year's Resolution: Specifically Targeted Social Policy." The interview, the place and date of which are not given, includes the following passage: "[Martinkova] The president's veto of two law amendments surprised most politicians. Does this not bear out that there is a hitch in communication between the government and the president? You meet Vaclav Havel regularly. Did you know about his intention to veto the two amendments?

"[Klaus] Nothing bad happened from a formal point of view. The president used his right of veto, parliament interrupted its Christmas holiday to reapprove the laws, I signed them in my country house, and the laws took effect. However, there is a question of whether it would not be better to discuss such things in advance. I consider it rather strange that I learned of President Havel's refusal to sign the laws only from the media and not from the president himself."]

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Klaus Interviewed on Current Issues

LD0301201695 Prague Radiozurnal Radio Network in Czech 1715 GMT 3 Jan 94

[Interview with Prime Minister Vaclav Klaus by Miroslav Konvalina in Prague; date not given—recorded]

[FBIS Translated Excerpt] [Konvalina] Mr. Prime Minister, the discussion in the media in the first few days of the new year concentrated on the TV addresses by both you and the president of the Republic. What interested you most in Vaclav Havel's New Year address and the discussion that developed afterwards?

[Klaus] I was most interested in the discussion that developed afterwards. [passage omitted]

I think that in the addresses we talked about many things, and I smile when I see that commentators noticed that the president immediately said yes to the Senate and Klaus said: There is no hurry for the Senate, in my view.

I have a feeling that I talked for about 35 to 40 minutes and about five seconds about the Senate. I talked about serious things that I consider immensely important for this country at the moment, and I would welcome a serious discussion in the media about these matters. But to notice the most obvious thing—that there exists a difference of opinion on the urgency of the Senate—that is the cheapest method of comparison of two New Year addresses. So my resulting feeling is not very good. [passage omitted].

[Konvalina] Although the number of foreigners in our country is apparently lower than in a number of countries of West Europe, we are witnessing an influx of foreign workers who want to live and work in our country. Let us mention, at least, the Vietnamese workers who are going to come as a cheap labor force to Zlin. I am sure that there are more such examples. At a time when there is low unemployment in this country and no interest in some professions, this is altogether understandable. But will we be sorry later when there is a higher unemployment rate and we have cheap manpower here?

[Klaus] I think we all remember what these things look like on the other side. [passage indistinct] We are now upset, and our fellow citizens are upset that Austria is limiting the influx of our workers, that Germany is limiting the influx of our workers. We do not like this at all. We are having diplomatic talks and talks at ministerial and regional levels in order to change this state of affairs. Now that it concerns us as well, we are suddenly pretending that nothing like this should exist. I am convinced that today there are more citizens of the Czech Republic working in this way to the west of us than the number of people from the east working in the Czech Republic. That is the net effect. For the time being, it is completely opposite to what we have been talking about now, and let us consider it well: to liberalize or not to liberalize. If we do not liberalize, it would be fair if it applied equally on both sides: Let us bloc the departures of our workers to the West, and let us bloc the entry of others here. But I do not think that is the right path. I do not see that the influx of foreign workers is strong enough to lead to any danger. So I do not consider it a pressing question at the moment.

[Konvalina] The World Trade Organization started working in Geneva on 1 January. What, in your view, will its birth bring to the Czech Republic, and are we ready to use the possibilities it offers?

[Klaus] I do not intend to make any striking pronouncement, which would then be commented on by both the left and the right. But I think that renaming GATT the World Trade Organization is a matter of relatively lesser importance. [passage omitted]

Indeed, I do not see this as a breakthrough. I think that, for the time being, it is a mere change of name, and I really, really do not expect any immediate changes. [passage omitted]

[Konvalina] Petr Cermak, the former deputy chairman of the Civic Democratic Alliance, is starting his job as ar adviser. Can you comment in detail on his work at e government office?

[Klaus] No, I really cannot because I have several advisers whose names nobody in this country knows, and it would not occur to anybody to investigate whose advisers they are, and, in this sense, Petr Cermak belongs among these nameless ones. Their roles have not been precisely defined. I cannot believe my eyes when I read [word indistinct] the so-called focus on security matters. This is not so. It involves a group of about six or seven persons who can be used in many areas, who provide viewpoints on various things for me. That is why they must read the material in detail, they must get acquainted in detail with the problems, and I, more or less, distribute the work so that they can express their views on it. Petr Cermak will be among them, and I think this is being made into an unnecessarily political problem. Nobody is examining who the other advisers are. So I would rather recommend that this becomes a matter-of-fact affair.

CMUS Forms Parliament Deputies Club

AU0301210795 Prague MLADA FRONTA DNES in Czech 28 Dec 94 p 2

[Unattributed report: "Three Parties Formed a New Parliamentary Club"]

[FBIS Translated Text] Prague—The deputies of the Bohemian and Moravian Center Party (CMSS), the Liberal Social Union (LSU), and the Agrarian Party (ZS) yesterday formed a common deputies' club. The members of the presidium of the coalition of these parties also approved a new name of the coalition—the Bohemian

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and Moravian Union of the Center [CMUS, Ceskomoravska Unie Stredu]. Jaroslav Sykora, originally from the LSU, was elected chairman of its deputies' club.

Volkswagen To Invest More in Skoda

95CH0070D Prague PROGNOSIS WEEKLY in English 30 Nov 94 p 9

[Article by Vladan Sir: "German Car Giant Will Soon Own Skoda"]

[FBIS Transcribed Text] After 14 months of negotiations, the Czech government and Volkswagen AG finally amended their 1991 contract November 18 to guarantee the German automaker majority ownership in the state-owned Czech Skoda company by the end of this year.

Under the amended contract, Volkswagen must contact the Czech government regarding all major decisions affecting Skoda.

The new addendum predicts that Skoda production capacity will jump up 340,000 automobiles a year by 1997, up from 180,000 this year. This figure, however, represents a major cut in the original plans. And Volkswagen can reduce the number at any time.

"We are planning on this volume in our long-term sales plan but the market will make the ultimate decision," Volkhard Kohler, vice-chairman of VW's Board of Directors told LIDOVE NOVINY.

Currently, VW owns 31 percent of Skoda, with the Czech state holding the other 69 percent. By the end of the year, the German car maker will increase Skoda's capital by 350 million DM for another 17.5 percent share and will pay an additional 40 million DM for a two percent stake. Volkswagen will then own 50.5 percent of the company.

With an equal injection next year, VW will garner the 70-percent ownership stipulated in the original 1991 contract, according to Skoda spokesman Jiri Hrabovsky. By the year 2000, VW plans to invest 3.749 billion DM.

Relations between the two partners turned bitter last year after Volkswagen announced a 50-percent cut in its 9 billion DM investment projection for Skoda. The German car producer, however, was not obligated to implement such plans, according to the 1991 joint-venture agreement.

The investment cut came after the world's fourth-largest car producer reshuffled its international branches because of a general recession that rocked the car industry. On November 1st, Volkswagen announced losses of 73 million DM for the first nine months of 1994.

Despite this fact, the Volkswagen Group—which consists of Volkswagen, Seat, Audi and Skoda—expects to break even for the year. Last year the company tallied a record loss of 1.94 billion DM.

Czech Koruna Inching Toward Convertibility

95CH0070C Prague PROGNOSIS WEEKLY in English 30 Nov 94 p 9

[Article by Randall Lyman: "Crown Closer to Convertibility"]

[FBIS Transcribed Text] The crown raced closer to full convertibility November 17, when the country's three top financial officials agreed to increase the amoung of hard currency Czech citizens could exchange from 12,000 crowns to 100,000 crowns a year. After a meeting with Finance Minister Ivan Kocarnik and Czech National Bank (CNB) Governor Josef Tosovsky, Premier Vaclav Klaus called for the law on hard currency to be amended to permit full convertibility quickly, possibly by the middle of next year.

"For the vast majority of citizens, one hundred thousand crowns represents what they would consider full convertibility (of the Czech crown)," Klaus said.

Final approval of the new limit must come from the CNB, but Klaus expects that to happen within the next two weeks. The new law will allow Czech citizens to go to banks and exchange 100,000 crowns for American dollars, German marks or any other foreign currency when they want to travel abroad.

Klaus said the measure reflected the requirements of the International Monetary Fund.

Asked why the hard currency limit was not abolished, Klaus said it was "the same as the reason wage regulations had not been abolished"—so as not to drastically increase inflation.

According to representatives of Czech commercial banks, however, the new limit won't affect the average Czech that much.

Increasing the limit "is not going to have any effect at all," said a spokesman for Statni banka. "Most people haven't even used up the current limit."

The three officials also agreed that two further steps were necessary before the crown is made fully convertible:

—making the crown convertible in the account the country uses to pay for goods and services abroad. This would enable Czech citizens to exchange their crowns for other currencies outside the Czech Republic.

—a thorough analysis of the results of the preceeding two steps and an evaluation of the economic situation at the time.

The premier reconfirmed that the government's highest priority was maintaining the Czech crown's strong exchange rate.

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The country's foreign currency reserves have been growing steadily, and Klaus has often expressed his conviction that, if anything, too much foreign capital is entering the country.

The Czech Republic's foreign currency reserves were worth $8.5 billion US at the end of October, up from $6.2 billion in 1993, and $3.5 billion in 1992.

Direct foreign investment in Czech companies last year totalled $568 million US. It reached $478.1 million in the first three quarters of 1994, which would mean $637.5 million for the whole year if the current trends continue.

Foreign credits have increased even more: from $593 million US in 1992 to $1.026 billion last year, with $984 million during just the first half of 1994.

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Application To Join EU To Be Drafted by Jul

LD0301233295 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1600 GMT 3 Jan 95

[FBIS Translated Text] The government today discussed, among other things, a report on the meeting of the European Council in Essen on 10 December. It instructed the foreign minister to draft Slovakia's application to join the European Union by 30 June.

Government To Issue Bulletin on Policy Issues

AU0301185395 Bratislava NARODNA OBRODA in Slovak 23 Dec 94 p 6

[TASR report: "Jan Lisuch on European Union's Attitude Toward Postelection Slovakia"]

[FBIS Translated Text] Brussels—"It cannot be said unequivocally that the European Union [EU] views Slovakia negatively, but some measures taken in our country since the elections have not passed unnoticed," Jan Lisuch, ambassador of the Slovak Republic to the EU, told the TASR correspondent in Brussels.

Jan Lisuch noted that the indirect impact of the decision to delay the start of the second wave of coupon privatization or of the passage of a law abolishing the validity of privatization projects approved by the previous government could be felt during the negotiations. "Our partners demand that we confirm the unchanging nature of foreign policy orientation and assure them that its continuity will be emphasized as one of the priorities also in the new government's policy statement," he added.

Slovak diplomats complain about continuing information barriers, owing to which, for example, Slovakia is being confused with Slovenia.

A bulletin intended for the highest and medium-level EU bodies as well as for representative missions of other states should improve information about Slovakia. The bulletin, whose first issue should be published in January 1995, will contain detailed information on domestic, economic, and foreign policy events in Slovakia and will be based predominantly on official documents issued by state bodies.

Lisuch went on to say that, in conjunction with the approaching coming into force of the Association Agreement, the Slovak Republic's permanent mission to the EU would welcome close cooperation with the state administration and the formation of ministerial bodies focusing on the Slovak Republic drawing closer to the EU.

The Association Agreement between the EU and the Slovak Republic will come into effect on 1 February 1995. On the basis of the agreement, an association council will be formed, which will meet regularly at the level of Slovak Republic ministers and EU commissioners. Another body to be formed on the basis of the Association Agreement is a joint delegation of the European Parliament and the National Council of the Slovak Republic, which will be transformed into a joint parliamentary committee in May or June 1995. The association council will regularly submit reports on the cooperation process and the implementation of the Association Agreement to the joint parliamentary committee.

Ethnic Hungarians Criticize Kovac Speech

LD0301172195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1100 GMT 3 Jan 95

[FBIS Translated Excerpt] Miklos Duray and Arpad Duka-Zolyomi, representatives of Coexistence, gave a news conference today. They assessed the internal political life in Slovakia in 1994 and the president's New Year address and spoke about their expectations for 1995. Our colleague Magda Pospisilova interviewed Miklos Duray:

[Begin recording] [Duray] [passage omitted] Experience from last year, from the inauguration of the new parliament to the formation of the new government and the new provisional budget, show clearly that there are trends toward a restriction of democracy; not only economic restriction, which is understandable, but also restriction of democracy itself. Not only can we never support this, but we cannot agree with it, either. It is not acceptable to us.

[Pospisilova] What indications do you have that the restriction of democracy would concern the nationality issues?

[Duray] I am afraid that this restriction of democracy will be rather extensive and will concern all citizens of Slovakia, including people who are not aware of it. However, we can also expect more specific restrictions. It was indicated last year and during the years before that, for example, that a law on protecting the state language ought to be adopted. This clearly means, and a number of other things that have been said in this connection indicate such, that this will jeopardize the languages of those citizens who speak a different language from Slovak, that the groups and ethnic minorities in all Slovakia can rightly be apprehensive of this law. [passage indistinct]. This [word indistinct] law is a treble-edged weapon. It can be directed against all democratically thinking people in Slovakia or specifically against minorities, but it could also become a trap for the ruling group.

[Pospisilova] Arpad Duka Zolyomi, deputy chairman of Coexistence, made a short assessment of the president's New Year speech. For Coexistence, the speech contained two surprises: first, that the president divided the citizens of Slovakia into two categories—the state-forming nation and the minority nationalities with ethnic groups—and second, that Michal Kovac praised the fact that Mr. Meciar held out his hand for cooperation. Arpad Duka Zolyomi thinks it is up to the president

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rather than up to others to hold out his hand. Coexistence, however, accepts the president's appeal and, with all its might, supports his effort to achieve political reconciliation in Slovakia. [end recording]

Officials Deny Arms Sold to Algerians

LD0301143195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1400 GMT 3 Jan 95

[FBIS Translated Text] Colonel Ignac Hyjanik, chairman of the licensing commission of the Slovak Government Office, denies the claim made by yesterday's German weekly DER SPIEGEL that an Algerian armed Islamic group has been buying arms in Slovakia. He added that it is impossible for the commission to grant a licence to sell arms to a country that is subject to an arms sales embargo.

The management of the special production administration of the Ministry of Economy also denied that arms had been sold to Algerian fundamentalists.

Ambassador Discusses Slovak-Russian Friendship

95CH0053B Bratislava SLOVENSKA REPUBLIKA in Slovak 17 Nov 94 p 6

[Interview with Sergey Yastrzembsky, ambassador extraordinary and plenipotentiary of the Russian Federation to the Slovak Republic, by the Russian daily DELO; place and date not given: "Two Years After the Divorce"]

[FBIS Translated Text] Recently, the Russian daily DELO published an interview with Sergey Yastrzembsky, ambassador extraordinary and plenipotentiary of the Russian Federation to the Slovak Republic. We have selected the following substantive portions from that interview:

[DELO] The dissolution of the USSR has resulted in a multiplicity of so—called international conflicts; on the other hand, the "divorce" of the Czech Republic from the Slovak Republic was accomplished relatively peacefully. How is this to be explained?

[Yastrzembsky] In our opinion, the responsible negotiations and goodwill of the Czech and Slovak politicians who were instrumental in dividing the state and who avoided conflicting situations were supported even by numerous objective factors. Prime among these are the high level of cultural development, long years of democratic traditions in both nations, the more or less precisely outlined border between the Czech Republic and the Slovak Republic, respect for the main principle for splitting the former federal property at a rate of 2:1 for the Czech Republic, taking into account the material, territorial, and human resources in each of the republics, etc. The division was accomplished "from above" by political groups who were in power at the time without a referendum being held in either republic. This made it possible to rapidly work out a dynamic program of division and to generally adhere to it. However, in the interest of total objectivity, I would note that not everything progressed with complete smoothness. There were some disagreements regarding the division of federal property and cultural values, and some of them persist to this day.

[DELO] The successes of the Czech Republic in its socioeconomic transformation are well known. The Klaus reforms are considered to be the most effective and most promising of those in all former socialist countries. But the successes of Slovakia are more modest. Or is less known about them?

[Yastrzembsky] Your question has to do with two countries. From the standpoint of the unwritten rules of diplomatic ethics, it is appropriate for me to speak of only one of them.

First of all, I would like to note that, from the very beginning, Slovakia found itself in a much more complicated situation. Its economy, which is heavy with large chemical and metallurgical enterprises and armaments production is difficult to transform. This requires time and large investments. Its agricultural production, when compared with that of the West, which is mostly subsidized by the state, cannot hold its own under conditions of European competition. Among the advantages of Slovakia is its suitable geographic position as one of Europe's crossroads; it has outstanding natural conditions that are suitable for the development of tourism; and it has a developed petrochemical and gas industry, which is tied closely to raw materials from Russia. For these advantages to be fully utilized and for them to assure the country of economic prosperity, substantial resources and a longer period of time than the not quite two years that have hitherto passed are required.

[DELO] Reporters from our daily visited Prague several times after the Velvet Revolution and, on each subsequent occasion, felt that distrust was diminishing and that a new relationship with regard to you Russians was developing. What do you and your colleagues and friends in Slovakia feel?

[Yastrzembsky] I have always liked to respond to this question. I can state with certainty that the relationship between the Slovaks and Russia and its citizens is a good-hearted one and a friendly one and that this is characteristic of all strata of Slovak society. Historically, there was never any room and there is no room at present, and I hope there will not be room in the future for any Russophobia. We are constantly encountering a lively interest in what is happening in Russia, a willingness to establish contacts, and a desire to develop commercial relationships with Russia. Not a few times have we sensed a desire for Russia to take the more active part in East European affairs.

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Carnogursky's, Csaky's Statements Denounced

95CH0053A Bratislava SLOVENSKA REPUBLIKA in Slovak 17 Nov 94 p 6

[Commentary by Juraj Fuchs: "Psychological Terror and Hateful Talk"]

[FBIS Translated Text] At a time when corruption scandals have shaken the foundations of the Italian Republic and are even threatening France (and most recently also Great Britain) and have just begun in Poland and even in the Czech Republic (the Lizner case involving a suitcase containing 8 million korunas), Pal Csaky and Jan Carnogursky are threatening and intimidating us abroad. Both of them are slandering us abroad. They allege that even in this country democracy is threatened; they say that Slovakia suffered a catastrophe during the elections. The reason? In a democratic, free, and secret election, the people refused to grant them a mandate to continue governing and impoverishing Slovakia by privatizing privatization.

Simply stated, if the government in this country does not include Carnogursky, Csaky, and Knazko, this will be catastrophic for Slovakia. It will mean the loss of international contacts and authority, and foreign investments will stop flowing into Slovakia. Both Carnogursky and Csaky are painting Meciar in the image of an enemy who even "threatens the stability of the Central European region."

They have been blinded by pathological anti-Meciarism to such an extent that they were even unable to coordinate their anti-Slovak activity. No sooner had Csaky threatened that the "international" European Democratic Union (EDU) would expel us from the Visegrad Four and even from "all of Europe" and would have us categorized as one of the "secondary" Balkan states, than Jan Carnogursky spoke up and claimed that EDU cannot do so because this decision is made by the governments of individual countries rather than by EDU. This is not the first time Csaky has told a lie in his continuing effort to destabilize Slovakia, his accusations made abroad, his efforts to bring about unrest through disinformation. He does so in the Council of Europe, on the Hungarian television program "Panorama," and, generally, abroad.

But Carnogursky, who has disavowed Csaky, is no better. He threatened us by saying that, if the constituent session of the National Council of the Slovak Republic does not invite 15 alternates, this will be an international catastrophe, a statement that made him ridiculous before the entire world. Now that the democratic parliamentary majority has begun to function, now that it has recalled the organs of the National Property Fund and has thus touched the most sensitive "religion" of Jan Carnogursky—the privatization of privatized national property—he has already ranked us among the countries of the so—called Third World!

Carnogursky is appealing to the Constitution against which he voted. He interprets its provisions in his own way and is attempting to create psychological terror through the mass media, which are giving him space. Jan Carnogursky, doctor of jurisprudence, proved his "legal qualifications" during negotiations involving the Government of the Czech Republic regarding the Bojnice altar, when he confused the law with propaganda and even with preelection agitation. The law is a science, and the Constitution of the Slovak Republic cannot be interpreted from the position of a single party. We already saw this during the period 1948-89.

Carnogursky's goal is identical with that of P. Csaky: destruction, destabilization, and calling for new elections. Csaky has already so stated in the television program "Steps." Even Milan Knazko is for new elections. Brigita Schmoegnerova, who, together with Rudolf Filkus, is leading Slovakia toward economic disaster, also wants new elections. Toward this end, it is necessary to organize scandals that reverberate abroad, even in the halls of parliament; the disgracing of Slovakia through domestic, but mostly foreign, mass media and the most varied international central bodies (the "international" EDU). Slovakia, together with all Central European countries, has had bad and even tragic experiences involving other international central bodies, whether they were the Third International, the Comintern, the Cominform, or others, which "assured" it of participating in such international structures and then sucked it dry and enslaved it, both materially and spiritually.

Regarding those Western internationals, we know that, over a period of 42 years of totalitarianism, they provided moral assistance. The Western governments in which representatives of these parties were active (particularly EDU and the Socialist International) collaborated intensively with the communist regime even at the time when dissidents, priests, and all of the noncommunist intelligentsia were being jailed in this country. Politicians from these parties (united in EDU and the Socialist International) met with communist politicians—for example, even in Bratislava, allegedly to demonstrate their mutual amendability, their willingness to cooperate, and their rejection of any confrontation. This was also being done by Franz Vranitzky a few months before 17 November 1989. At that time, we were depressed by these actions. The truth must be told on a level playing field, face to face.

Now, these internationals want to help us with their know-how not only from the moral standpoint, as they did during totalitarianism, but primarily with respect to the privatization of our strategic industries. We understand that they have no desire to privatize barren heifers but, rather, enterprises having billions in profits. I would not be objective if I claimed that they want to swallow up everything and that Slovaks would not be involved in privatization. In the radio magazine program "SRo," Jan Carnogursky stated that he has an extensive and branched-out family so that he did not even know that a person called Vladimir Carnogursky was privatizing national property.

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Minister P. Magvasi, after returning from the United States, refuted rumors regarding the destabilization of Slovakia and stated: "The search for an optimum government is a natural phenomenon of democracy and is not a destabilizing factor." He added that our representatives abroad should devote greater attention to clarifying the situation that exists in our economy and should point out its irrevocable direction toward liberalization, equal rights of ownership, and so forth. Actually, this was a criticism levied by the minister of foreign affairs. The declining prestige and destabilization of Slovakia can be brought about by a Schmoegnerova-Filkus economy, by their touching the National Property Fund as well as the state reserves. Economists in the European Union, at the World Bank, at the International Monetary Fund value the facts of our management and not the hateful talk of such "Christian" leaders as Carnogursky and Csaky.

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MNB Official Sees Lack of Economic Policy

AU0301203095 Budapest NEPSZABADSAG in Hungarian 28 Dec 94 pp 1, 13

[Interview with MNB Deputy Chairman Frigyes Harshegyi by Andras Trom; place and date not given: "$2 Billion-$3 Billion Unused?—The MNB's Deputy Chairman Wishes To Look Ahead to 2020"]

[FBIS Translated Text] It is not a problem that we do not have foreign sources for loans—we do. We could also have more. The problem is that we do not have a concrete development concept or program for which the loans can be used, said Frigyes Harshegyi, who has been reappointed deputy chairman of the Hungarian National Bank [MNB] for another three years. Harshegyi, who is responsible for the country's foreign currency situation, is urging that someone states precisely where this country wants to be at the turn of the century, rather than moaning about the current situation.

[Trom] Do you think that your reappointment is because the politicians consider the handling of the country's debt to be good?

[Harshegyi] Since 1989, I have felt that, owing to my position, I have absolute responsibility for foreign currency issues, the country's debt, and the domestic supply of foreign currency. I believe that my appointment is partly due to the fact that we implemented decentralization in a truly critical period and set up a banking system in which banks can freely manage their foreign currency affairs and enterprises can also take out foreign currency loans without any restrictions. To do all this, we had to ensure foreign loans in such a way that we can repay the old loans on the one hand while everything else is operating, the country's economy and all economic units, and every citizen can receive an adequate amount of foreign currency.

[Trom] Does this mean that everyone can take out foreign currency loans? Even the government?

[Harshegyi] Yes, it does. Many such government loans exist already. They are usually needed for investment in the infrastructure or other programs. These are made by international investment institutions. I could mention the 280 million German mark loan granted to the Hungarian State Railroads for electrifying the Budapest-Hegyeshalom line.

Loans taken on by the MNB rather than by the government are for general purposes, namely to cover the current account deficit. This is basically to cover the repayment of old loans and to maintain the level of loans. It cannot be expected that an economy in transformation, which has had a falling GNP for years, can squeeze the money out from somewhere to repay these loans. New loans are needed for this.

New Loans

[Trom] How much has the MNB and the government borrowed?

[Harshegyi] At the end of 1990, the MNB's foreign debts were $16 billion and the government's $0.5 billion. Therefore, the total debt amounted to $16.5 billion. By the end of August 1994, the net debt had fallen to $15 billion, of which $2 billion was the government's. Therefore, in four years, the state debt—the MNB's and the government's together—fell by $1.5 billion. However, in the meantime, the economy's direct foreign currency loans—by banks, enterprises, and entrepreneurs—grew from nil to $4 billion. Therefore, while the state debt has decreased over the past four years, the country's total debt has increased because it now also includes these "private loans." However, these are built into the economy.

[Trom] How do you classify the ECU2 billion loan that Prime Minister Gyula Horn requested from the European Union [EU]?

[Harshegyi] As Horn requested this for structural changes, it does not fall into the category of financing the budget deficit. However, to be able to receive it, the state would have to guarantee the investment. At the same time, people in Hungary tend to forget that the European Investment Bank [EIB], the EU's financial institution, has already made many such loan agreements with Hungary and Hungarian banks. The latest, which we signed two months ago, amounted to ECU500 million. Therefore, the prime minister requested a loan for something that they had already given money for and they would be giving even more. The European Bank for Reconstruction and Development is also prepared to do this. Various governments also have funds and banks to do this. However, there is a problem with these credits: Our economic policy has to establish the environment to receive them. We do not yet have this mechanism and, until it is established, we will not be able to use more than 10 to 20 percent of it even if God himself wanted to give us ECU10 billion!

We Also Need Domestic Resources

[Trom] Is it true that many loan facilities are unused that were offered by various countries and on which we also have intergovernmental agreements?

[Harshegyi] A great many such facilities exist. Actually, most of them were not used in the past because the countries in question prescribed what equipment and machinery they would deliver in return for the loan. Today, these are not so tied, so it would be possible to grant further loans through the banking system for any kind of enterprise. This is how the EIB's loan can also be used.

A further problem is that we would have to add at least 20 to 30 percent of domestic resources in order to use these loans. In the coming years, economic policy should strive to reduce the budget deficit so that the amounts released can be used to supplement the foreign investment loans for building the economy. I emphasize that these loan facilities are at our disposal without any limit.

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[Trom] Does this mean that it was not really justified to ask for the ECU2 billion loan?

[Harshegyi] Not in the form that give us ECU2 billion. They would not give that much for the country's general financing; they would instead say what they said in 1989 and 1990: "Ask for loans on the foreign currency markets and if they do not give you any, then we will"—and this is what happened at that time. As a matter of fact, if we wanted to distribute such an amount of loans via the banking system, it would take at least five years to place them in the form of loans. The banks are not prepared for this. At the same time, I repeat that we are not utilizing very many of our credit facilities.

[Trom] How big is the unused loan facility?

[Harshegyi] It must be at least $2 billion-$3 billion. However, economic policy has not dealt with this and said concretely: "Here are the plans; we need such and such a concrete development, I want to know who will finance this, whether we can get foreign money for this, and how much." No one has ever asked me, as deputy chairman of the MNB, this question in the past five or six years.

[Trom] Have you heard this question in the past six months?

[Harshegyi] No, I have not. This means that, since the beginning of 1989, in the economic policy of any of the governments, the question has never arisen as to what kind of investment it is consciously planning in the process of transformation, what proportion it can finance itself as a Hungarian Government, and what loans it needs to cover the difference. This is precisely what I lack in government work: They do not determine what economic structure the country should have and what actual development and modernization needs will arise. If such planning work did exist—and this is what I call economic policy—then it would estimate the country's credit needs. Without it, we do not make use of the loan facilities even when they exist.

Five-, 10-Year Plan

[Harshegyi] Therefore, in addition to saying that we have established a market economy, an independent central bank, a stock market, and a financial sector, someone should also deal with how the country should be in 2000 when we want to join the EU! This work has to be directed by the government. Unfortunately, I have to say that, in this sense, economic policy does not exist. For real development to take place, we would need to have economic planning with a view to five to 10 years ahead which would plan government investment or even the investment of participants in the economy. It is not a viable way that we have been calling for bids for the highway construction concessions for five years while not a single kilometer of highway has been constructed! Therefore, foresight is essential.

[Trom] Is the "fire-extinguishing" [resources used for overdue jobs] an alibi?

[Harshegyi] No, it is too little. We have to make a further step forward. In my view, the country should have a development concept so that we will know where we want to be in 2000, 2010, and 2020!

Kocacs Comments on Income Policy, Poverty

LD0401101195 Budapest Kossuth Radio Network in Hungarian 0700 GMT 4 Jan 95

[FBIS Translated Text] The minister of social welfare has promised that the situation of the poorest people will not deteriorate this year. Pal Kovacs reiterated on this program that one-third of the people in Hungary live below the poverty line. The minister said that the Welfare Ministry is planning to develop a three-pronged social insurance system based on citizens' income. It will however mean a hard battle with all those who do not understand that a lot of harm is caused to the economy if welfare policy exclusively supports only those who are most in need. [as heard]

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Coalition To Reject President's Demands

LD0301201895 Warsaw Radio Warszawa Network in Polish 1800 GMT 3 Jan 95

[FBIS Translated Text] Aleksander Kwasniewski, leader of the Democratic Left Alliance [SLD], has said that the coalition will not accept any of the three demands put forward by President Lech Walesa at a meeting with Prime Minister Waldemar Pawlak yesterday. The president demanded that his candidate, Zbigniew Okonski, be appointed defense minister and that the resignation of Andrzej Olechowski from the post of minister of foreign affairs be rejected by the prime minister. He also announced that he would appoint ambassadors without consulting the prime minister. According to Kwasniewski, Prime Minister Pawlak will ask the president to accept Minister Olechowski's resignation today.

The SLD leader pointed out that the prime minister will present his own proposals concerning the issue of the minister of foreign affairs. He added that Longin Pastusiak is still the coalition's candidate for minister of national defense.

Referring to the president's statement that Aleksander Kwasniewski would be a better and more efficient prime minister than Waldemar Pawlak, the SLD leader said that the present head of the government enjoys the support of the coalition.

[Begin Kwasniewski recording] This is the most difficult question for me. Thank you for the nice words, but Waldemar Pawlak is the chairman of the Council of Ministers. Prime Minister Pawlak has the coalition's support. [end recording]

When asked by journalists about the possibility of amendments to the small constitution, Aleksander Kwasniewski replied that, in his opinion, there would not be any motions with regard to this issue in the immediate future.

Pawlak Criticizes FM, Faults Contact With U.S.

WS0401121495 Warsaw GAZETA WYBORCZA in Polish 4 Jan 95 p 2

[Article by Edward Krzemien: "Is He Joking?"]

[FBIS Translated Text] *"I will give Foreign Minister [FM] Olechowski a chance to prove his skills," Waldemar Pawlak said on last night's "Pulse of the Day" television program. The statement was his reply to the question of whether the prime minister was going to forward the foreign minister's resignation to the president.*

The prime minister gave the minister very low scores. "Foreign policy is not only visits and meetings," said Pawlak, "but also initiating such undertakings as, for instance, transportation and railway infrastructure, a road network, creating conditions for Warsaw to become a central junction and a communications center. The foreign minister has not shown any interest in these issues. The minister of transportation took them up in the region and in his contacts in the European Union and East Asia and came forth with the concept of establishing a container bridge [trade route] between Poland and China."

The prime minister accused Olechowski of allowing good economic relations with the East to deteriorate and failing to carry out a task "as easy as" leading to the Russian prime minister's visit to Poland.

Pawlak is also dissatisfied that, in his contacts with the United States, Olechowski has "focused on relations with the current administration with ill historical timing because the Republican Party was successful in the last legislative election."

The prime minister gave the following reason for his decision to give the foreign minister "another chance": "We cannot allow Mr. Olechowski to go on vacation, as if he were leaving his job. After several days' rest, we will try to put Mr. Olechowski to good use, and he will either prove his usefulness in the Ministry of Foreign Affairs or not."

Walesa Responds to Pawlak's Comments on Olechowski

LD0401122695 Warsaw Radio Warszawa Network in Polish 1200 GMT 4 Jan 95

[FBIS Translated Text] President Lech Walesa has called the television interview yesterday by the prime minister on the "Puls Dnia" program a scandal, during which Waldemar Pawlak announced that he will give Foreign Affairs Minister Andrzej Olechowski a chance to prove himself. In the president's view, the way in which the prime minister treated the head of Polish diplomacy yesterday does not serve well the interests of Poland abroad.

Foreign Minister Olechowski Interviewed 29 Dec

LD3112033794 Warsaw Radio Zet in Polish 0720 GMT 29 Dec 94

[Interview with Foreign Minister Andrzej Olechowski by Andrzej Woyciechowski in Warsaw—live]

[FBIS Translated Text] [Woyciechowski] Today Radio Zet's guest is Andrzej Olechowski, foreign affairs minister. Good morning.

[Olechowski] Good morning.

[Woyciechowski] How was this year for you? What was your.... [pauses]

[Olechowski] It was strenuous, it was very strenuous. I can tell you frankly that the work of the foreign affairs minister is mainly manual work.

[Woyciechowski] Manual because every few minutes you are off to some fine capital, you attend cocktail parties, raise toasts... [pauses]

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[Olechowski] That's right: brandy, cigars, beautiful women, and so on.

[Woyciechowski] Well, there you are. That's how it is, isn't it?

[Olechowski] No, regretfully, the reality is much more disagreeable. I used to think so too, but it usually means that you have to fly somewhere as early as 0600 or 0630 so you have to be at the airport by that time. Then you have to hold talks that are.... Well, you do not have time to go to the bathroom in the meantime, as they say, and you either have to be back on the same day by midnight or go to a hotel, sleep for a couple of hours, and get up again.

[Woyciechowski] Perhaps that is because Polish foreign policy has been so active during the past year. Where did you go most often? Brussels?

[Olechowski] It is not just Poland. It is the system because distances have shrunk, travel is now easy, and, consequently, people visit each other more often. Last year we were visited by 26 foreign affairs ministers, eight heads of state, several—five, I think—prime ministers. So you can draw a conclusion just from that.

I most frequently visited Brussels, which is probably the place most often visited in Europe today. I also visited the United States several times, I visited Germany. These are our.... (pauses)

[Woyciechowski] And most of all Prague, Moscow.... (pauses)

[Olechowski] No, I visited all of our neighbors, all of our neighbors visited us, so here things were also business-like, very intensive.

[Woyciechowski] The two main things in Polish foreign policy last year were the European Union and NATO. It was there that there was most to be done, as it were... [pauses]

[Olechowski] That is all right. And.... [pauses]

[Woyciechowski] So what has changed during this.... [pauses]

[Olechowski] And there has been some progress. No one is talking about a success here, no one is talking about the completion of the process because that is a long time and a great deal of effort away. But the premembership strategy in the European Union is an important thing. Not in the sense that something has come about, that there is a bit of paper, but there is a conception, there is an idea, an undertaking, that membership is now an issue for both sides, that we have to work together, so it is not just one side that is making the efforts and the other that is just waiting about, but both sides take upon themselves certain undertakings and obligations.

And there is NATO, where a process of reflection about expansion has started. And.... [pauses]

[Woyciechowski] Reflection about expansion. That makes it still a very long way off.

[Olechowski] Because it is a long way off and it is difficult. The world is at a reflective stage. It is thinking about how to arrange itself in the future. As you can see, there are very contradictory views here, I don't know—Russian and ours, Russian and American, American and West European, ours and West European. So there are differences in views, differences in tones, and all this somehow has to be brought together.... [pauses]

[Woyciechowski] It has been known for a long time that NATO would take into consideration Russia's position on Poland's membership in NATO. Did we suddenly wake up surprised one day that it would yield to Russia?

[Olechowski] Well, the best evidence is that we did not try to enter NATO while we still had Russian, or at the time still Soviet, troops here, so it was clear that there was always some connection here, and there always will be. We cannot disregard Russia's view when you build institutions of that kind and you want it to be a permanent institution. Doing it completely in isolation would be adventurism. This does not mean that you have to yield to such views completely or comply with them.

[Woyciechowski] Does that mean that at present the act of our entry into NATO mainly depends on Russia's position, or the state of the Polish Army, or political stability. Which is the most important thing?

[Olechowski] It seems to me that really it depends on three things or, rather, regretfully, on as many as three things.

The first is that the West, the members of NATO, the members of this exclusive club have to come to believe that expansion is useful and necessary. And we are getting the impression that this has happened to a large extent. Not among all of them, but among the key members of NATO. They have already come to believe this, and this gives us reason for optimism.

Second, we have to be ready for it. And here we are still a fairly long way off.... [pauses]

[Woyciechowski] To be ready. Is that, all in all, the situation in the Armed Forces or something more than that?

[Olechowski] The situation in the country, in the broad sense, has to be close to this fundamental standard.... [pauses]

[Woyciechowski] That means full stability, a belief that there would be no revolution here.... [pauses]

[Olechowski] No, that is going too far, but there has to be a credibility of institutions, a confidence in these institutions, a belief that nothing bad could happen here, that over here there could not be, I don't know.... [pauses]

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[Woyciechowski] And they still do not have that confidence.

[Olechowski] ...(?that) the parliament could not be dissolved unconstitutionally, or some breakthrough made without respecting the Constitution. At times we have doubts about this, and every now and again we panic that something bad could happen.

[Woyciechowski] But when they look from a distance, Poland should be a model of stability.

[Olechowski] In the region?

[Woyciechowski] Among its neighbors, not to mention Yugoslavia or other countries.

[Olechowski] Well, I would say [words indistinct] that perhaps this was the case last year, but today it is no loner so that we are such an example of stability. Nor are we any longer a country that is so outstanding in its economic growth. We should note that our background has changed a great deal, caught up a great deal, so we do not stand out all that much. Things are not yet bad, but we do not stand out all that much.

And finally Russia. Here two ways of behavior are possible. Either Russia will be very uncooperative and our acceptance will be easier, or it will be more democratic and rational and our acceptance will also be easier. The worst thing will be when it goes from one extreme to the next, and then it will be difficult.

[Woyciechowski] And the European Union. Is it waiting until Poland is a rich, affluent country, and is it only then that it will want us?

[Olechowski] Some would like to wait like that. We do not acknowledge this. If that were so, Greece, Portugal, and even Spain would never have made it into the union. I always maintain it is not a question of affluence but of the system. In other words, the important thing is to be a duck. It is not important whether you are a small duck, a large duck, a fat duck, a sick duck... [pauses]

[Woyciechowski] So, in effect it is the same with the European Union?

[Olechowski] It is just that.... [pauses]

[Woyciechowski] That is full stability in Poland, both political and economic.

[Olechowski] It is more than that. The European Union is a more complex mechanism. What matters there, for instance, is full institutional convergence in the economy. From the point of view of NATO, it is important that there is a free market. But whether it covers the whole economy or only parts for the time being, whether there will be evolution is seemingly less important.

But from the point of view of the union, this is highly significant. And today the economy is an enormous area. These are concepts that proceed from competition all the way to things we would include among human rights, that kind of thing, consumer rights and so on. So it is an enormous institutional area, where the countries of the European Union are very similar to each other. On most of this area they use the same standards. We have to adopt them. We simply have to stop being different in these fields. We have to be the same as they are.

[Woycicchowski] With whom is it easier for the Polish foreign minister to communicate? With his French colleague or his Czech colleague? With whom do you have better contacts?

[Olechowski] It depends in which area. But you happen to have mentioned two ministers with whom I communicate well. If you asked about others, I would also say that we communicate well.

[Woyciechowski] You are a diplomat.

[Olechowski] I think it is easy to talk to the ministers in the region because we have similar impulses and similar instincts, shall we say.

[Woyciechowski] How do you address each other—as "minister," or are you on first-name terms with any of them?

[Olechowski] With a certain group we use first names; with the majority we use "minister."

[Woyciechowski] What is this thing with Chechnya? How do you see that?

[Olechowski] Well, with Chechnya we all have to be diplomats, and we have to understand that Chechnya is Russia's internal affair—that is, the conflict itself has to be settled inside Russia and here it would be inappropriate for anyone to intervene in this affair.

On the other hand, it is not without significance how you sort out internal conflicts. You cannot simply kick the citizens in the face because these are international obligations and that is how the world is arranged today. The brutality of this operation in Chechnya—I am not talking about yesterday because we are completely unclear about what really happened there.... [pauses]

[Woyciechowski] Yesterday and last night.

[Olechowski] Yesterday and last night. But so far things have been going very badly. There is enormous suffering there of the civilian population. Today you do not settle internal or external conflicts like that, and this is a thing that alarms us as the neighbors of a country where the authorities decided that that was how they have to sort it out. Well, if they have to sort it out like that over there, perhaps they would have to sort it out like that elsewhere, so that is a bad thing. And second, we are simply at one with people who are dying, and we have consequences of that in the sense of speaking about it, reminding about it, pointing it out to the Russians, and also getting international organizations interested in it, organizations that have responsibilities in this field.

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[Woyciechowski] And what about your resignation? Do you really intend to go away?

[Olechowski] You know, as far as my resignation is concerned—and I am not evading the issue here—it is such a living and painful issue, and one of three strands, we could say [sentence as heard]. First, it is a question of honor and credibility... [pauses]

[Woyciechowski] It is a question of your honor and ambition... [pauses]

[Olechowski] Well, what would you have done?

[Woyciechowski] But is that how one always acts in politics?

[Olechowski] What other choice did I have? [words indistinct] I do not want to comment about other colleagues, but there are questions. All right, but am I to refund it, with tax, without tax? There is the idea that I did not think about what I was doing at the time. I did think about what I was doing. The fact is that I gave up all other appointments; I kept one, so I made a conscious choice. I considered both ethical and legal issues, and I decided to stay on. So because I made that decision, it must have been a serious one. If this is being questioned, that means that I am not serious, that I make stupid decisions.

The second aspect is the aspect of consistency and responsibility. I could not resign overnight becausse you have to give people time to find a candidate and so on. But what we have in consequence today is that I cannot wait for ever because, in our country, things have the tendency to dissipate, and years later no one remembers what it was all about. So consequently... [pauses]

[Woyciechowski] But is it a definite decision, or are you still waiting for something?

[Olechowski] I have been waiting since 1 December for the issue of foreign minister to be resolved. I can no longer go on waiting like this because I said that the date of 1 January was important to me. I want to go on holiday, get out of the job... [pauses]

[Woyciechowski] You want to go on holiday from the start of the new year?

[Olechowski] From the start of new year, and to wait for this to be solved by the competent people.... [pauses]

[Woyciechowski] (?That is the president), the prime minister.

[Olechowski] ...the issue of filling this post.

And the third aspect is that of responsibility.... [pauses]

[Woyciechowski] But, excuse me, I have not understood this fully. And if the ruling of the Constitutional Tribunal is in your favor, will you or will you not change your mind?

[Olechowski] You know, in politics things begin to happen depending on the events. I cannot tell. I know that, if the ruling is not in my favor, I will be mincemeat. I will not exist as a politician.

[Woyciechowski] Do you think Cimoszewicz and the SLD [Democratic Left Alliance] did it on purpose?

[Olechowski] This is not a question you should be asking me.

[Woyciechowski] Was it a political provocation, or was it that they simply had not thought?

[Olechowski] I understand the motives of this operation, I agree with them, I like them. Actions of this kind have to be taken. I am often surprised myself that, when I go into office and make a declaration, a statement about my financial status, why no one asks about my status when I leave office. That is probably important, the period while I worked.... [pauses]

[Woyciechowski] But I interrupted you. You wanted to say something else.

[Olechowski] Yes, another reason. Why this action was conducted like that and why it ended like that, why was it run to my mind in an evidently amateurish way. I do not understand that.

The third aspect for me was that of effectiveness and responsibility, and that it the thing I view with the greatest concern. The whole of this issue, as well as others, is analyzed in the categories of who is going to gain from this, who is going to lose out, who is going to get a kick in, who is going to move ahead, who is going to stay behind. Today we measure politicians, political events, in terms of effectiveness. But you know Stalin was effective, Hitler was effective, and so on.... [pauses]

[Woyciechowski] [Words indistinct]

[Olechowski] We appraise the effectiveness of individual contenders by how one of them manages to kick another one, forgetting that we are watching the national team, the national representatives. Meanwhile, we get goals scored against us because no goalie has been appointed, because one of the defenders is more effective than another and does not want to recognize the other's candidate. And this is becoming terrible. And I must say that I am shattered.

Whenever I read articles or statements about myself, they are all about who is going to score extra points here. Will it be the prime minister or the president, or who is going to get whom? But the fact that there could be a vacancy in the office of the foreign affairs minister apparently does not concern the public. Well.... [pauses]

[Woyciechowski] And you get vacancies in other ministerial posts.

Malicious tongues say you are doing this so you can stand in the presidential elections or support Lech Walesa.

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[Olechowski] For this reason and under the influence of the wrong scale of evaluation and the wrong events on the political stage, I have made these firm statements. I said I would not compete against the president, and, because the president is going to stand, this is a nonissue. I said I would not manage the president's campaign. That was one of the speculations. So I no longer know what else I could say to rule out every possibility.

[Woyciechowski] In that case, Minister, have a nice holiday.

[Olechowski] Thank you.

[Woyciechowski] Thank you very much.

PM Asks Walesa To Appoint Pastusiak to Defense

LD0401120595 Warsaw PAP in Polish 1127 GMT 4 Jan 95

[FBIS Translated Text] Warsaw, 4 Jan—On 4 January, Prime Minister [PM] Waldemar Pawlak sent the president a resolution on the appointment of Democratic Left Alliance Deputy Longin Pastusiak to the post of minister of national defense, Jerzi Izdebski, deputy director of the government press office, has reported.

Falandysz on Walesa, Pawlak 'Open War,' Taxes

WS0301131995 Warsaw GAZETA WYBORCZA in Polish 3 Jan 95 p 2

[Interview with Lech Falandysz, secretary of state in the President's Chancellory, by Agnieszka Kublik; place and date not given: "The President Will Retaliate"]

[FBIS Translated Text] [Kublik] Is there now an open war between the prime minister and the president?

[Falandysz] It looks that way. If the government is beginning the New Year without two key ministers—foreign affairs and defense—and if its finances are in such a mess that suspicions arise, it might be committing an offense against its citizens. Do you believe it should stay in power?

[Kublik] Should it?

[Falandysz] That is up to the government. The prime minister should think that over.

[Kublik] Does that mean the president has no move to make?

[Falandysz] Well, unfortunately, he cannot dismiss the prime minister. If the coalition itself does not do anything, things will remain as they are: We will have a young prime minister with the Democratic Left Alliance [SLD] hiding behind his back.

After all, it is the SLD that won the elections, and it does not let anyone forget it. Meanwhile, it has found quite a comfortable position; it is sitting there silently and does not want to govern. That is not fair.

The entire responsibility for conflicts with the president falls on the prime minister's shoulders. The prime minister has gone so far that now we have to think about it.

[Kublik] That means that currently the president's major worry is Prime Minister Pawlak and not the coalition?

[Falandysz] One could ask whether this is the best government the coalition can form. Many eminent people from SLD are walking around without any portfolio. Maybe one of them could take a job in the government?

[Kublik] Is the president's new slogan "Kwasniewski for Prime Minister"?

[Falandysz] I know it is very inconvenient to be a prime minister or a deputy prime minister and take responsibility for governing while losing points in popularity polls, particularly before the presidential campaign. I therefore believe Kwasniewski will not agree to that. Still, this is not a good setup for the coalition. If we had a prime minister capable of establishing rapport with the president, they could accomplish a lot together. After all, the Small Constitution gives them great powers.

[Kublik] What made the president so angry that he decided to declare this new war on Pawlak yesterday?

[Falandysz] What about the proclamation [on higher tax rates, issued by Finance Minister Kolodko]? That was completely illegal and qualifies as a case for criminal court.

[Kublik] I am not very surprised that [Deputy] Prime Minister Kolodko's nerves snapped because last Thursday you simply did not show up at the Tribunal hearing on taxes. Why did you not go?.

[Falandysz] I was not authorized by the president to represent him before the Tribunal. No one was. The president is handling this case personally.

[Kublik] Why did he not show up at the Tribunal in person?

[Falandysz] No one summons the president before a court in a rushed procedure. That applies only to criminal offenders. In this particular case, the Tribunal has taken very hasty action: It has set the date of the first hearing very quickly and has already set the date of the second hearing for 12 January.

[Kublik] Will the president also refuse to show up for the 12 January hearing?

[Falandysz] We shall see on 12 January.

[Kublik] What is the president's next move going to be seeing that he has accused the government of introducing taxes illegally?

[Falandysz] I would be surprised if there were no reaction from bodies protecting citizen rights. [Ombudsman]

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Professor Tadeusz Zielinski, for example, defended citizen Markiewicz [former chairman of the National Broadcasting Council] when the president dismissed him from his job. The Constitutional Tribunal could institute legal proceedings against the governmental proclamation ex officio. I do not, however, expect the prosecutor general to react because he is not fully autonomous.

[Kublik] What if no one does anything?

[Falandysz] The president will not react violently, but he will counteract the coalition.

[Kublik] Do you have any ideas yet?

[Falandysz] I always do. I have several ideas. We will choose the best one. I can assure you that we will take advantage of all of the legal options at our disposal.

[Kublik] You do not want to show your cards to prevent the coalition from preparing for a counterattack?

[Falandysz] The president's strategy is to wait for three or four days.

[Kublik] Will there be a coup?

[Falandysz] Ha, ha! What coup?

[Kublik] Do you believe the president still has the right to dissolve parliament now that the Sejm has passed the budget bill?

[Falandysz] Yes, I think he still has such a right.

Budget Law Sent to Walesa for Signing

LD0301202295 Warsaw Third Program Radio Network in Polish 2000 GMT 3 Jan 95

[FBIS Translated Text] Sejm Speaker Jozef Oleksy has passed the budget law for this year to the president for his signature. A few hours ago, the budget was adopted by the Senate without any amendments. Lech Walesa has a month to either sign the law or veto it. The president has said that he has not yet decided what to do with regard to this issue.

Oleksy on Walesa's Consideration of Budget

LD0401123795 Warsaw Radio Warszawa Network in Polish 1105 GMT 4 Jan 95

[FBIS Translated Text] Sejm Speaker Jozef Oleksy today told Polish Radio that, if President Lech Walesa declares a veto of the budget for this year, which was sent to him yesterday, on 3 February, then a day later the Sejm will still be able to adopt a stance in relation to the presidential veto. In accordance with the small constitution, the Sejm may reject a presidential veto by a two-thirds majority vote. The speaker recalled that the president has until 3 February to sign the budget or veto it:

[Begin Oleksy recording] The president has a month, precisely until 3 February, to sign or veto the budget. If the president signs this budget, say, by 12 January, for instance, then, in turn, the time of dispute is shortened considerably as regards the payment of taxes. And, from this point of view, I would advise a reasonably quick signing of the budget, so as to at least cut short this dispute, which is also, after all, not without a basis if we look at it carefully. But the president does have the possibility of cutting it short by signing the budget before 12 January.

But let us say that he does not do this. Let us say that, on the last day, he refuses to sign the budget. Let us recall that this is also an exceptional event. The president must constitutionally do this by 3 February. The Sejm meets 4 February, and the Sejm will still be able to address such a veto by the president. And that closes the procedure in parliament. [end recording]

Oleksy on Sejm Stance If Walesa Vetoes Budget

LD0401093695 Warsaw Radio Warszawa Network in Polish 0800 GMT 4 Jan 95

[FBIS Translated Text] Sejm Speaker Jozef Oleksy today told Polish Radio that, even if President Lech Walesa vetoes the budget for this year, which has been adopted by parliament, only on 3 February, then a day later the Sejm will still be able to adopt a stance in relation to the presidential veto. Speaking on Polish Radio, Speaker Oleksy stressed that the period of three months for the adoption of the budget applies solely to the Sejm and Senate procedure itself. The speaker also said that, if the president were to sign the budget bill before 12 January, the day of the Constitutional Tribunal hearing, the dispute over tax rates would come to an end and the lower rates would apply.

Kolodko Assails Walesa Attitude on Tax Payment

LD0301160595 Warsaw Radio Warszawa Network in Polish 1500 GMT 3 Jan 95

[Quotation marks denote recorded passages]

[FBIS Translated Text] The president has said that this year he will be paying his taxes at the old, lower rates.

[Walesa] "I will pay the rates envisaged by the law. I do not accept those announcements about the new taxation brackets because they are not a good solution."

[Announcer] According to Lech Walesa, the higher rates, as envisaged by this year's budget, are in breach of the law. The president has encouraged other citizens to adopt a similar attitude.

Appeals for civil disobedience and the payment of lower taxes in accordance with the 20-, 30-, and 40-percent thresholds have been described by Grzegorz Kolodko, deputy prime minister and minister of finance, as activity aimed against the foundations of the state.

[Kolodko] "This is activity aimed against the foundations of the functioning of the state. Public finances are as important as national defense or diplomatic service.

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This is part of the state imperative. If someone makes appeals for the law in force to be broken, he should be fully aware of the consequences, not only of the strictly legal ones, but also of political consequences of this kind of behavior."

[Announcer] Grzegorz Kolodko has called President Lech Walesa's statement that he would be paying his taxes at last year's rates because he did not accept the announcement by the minister of finance unbelievable and unprecedented in the history of the world. Grzegorz Kolodko said he did not know of any case in which the head of state called on citizens not to abide by the taxation law that is in force.

I do not accept the president's announcement, the irritated deputy prime minister told journalists. He added that lower taxes mean lower budget income, which would rule out pay increases for the public-sector employees.

Kolodko on 'Complicated' Political Scene

LD0301191095 Warsaw PAP in Polish 1644 GMT 3 Jan 94

[FBIS Translated Text] Warsaw, 3 Jan—Grzegorz Kolodko, deputy prime minister and finance minister, today described the present state of parliament-government-president relations as "complicated and conflicting." According to him, this situation is even more complicated because of legal loopholes. "This is the time for lawyers and economists to have less to say," he said.

He did not want to use the phrase "war at the top" to describe the present situation. This is war aimed at the interests of major social groups, he said.

When asked if he would be surprised if the president did not sign the budget adopted by the Senate on Tuesday, Kolodko said that he "is prepared and hopes that the president will sign the budget." "Nobody will be told, through the media, what my reply to the president's decision will be," Kolodko added.

Koldoko Upbeat About Economic Indicators

LD3012211094 Warsaw Radio Warszawa Network in Polish 1512 GMT 30 Dec 94

[FBIS Translated Excerpt] [Announcer] A news conference by Grezegorz Kolodko, deputy prime minister and finance minister, has been announced at the Sejm. We do not know whether it is to begin now or in a few minutes' time. But perhaps Antoni Mielniczuk can tell us about this. Over to the Sejm.

[Mielniczuk] Welcome, ladies and gentlemen. The conference is to begin literally at any minute.

Right now the room is full of journalists who have been listening to the parliamentary plenary proceedings. They were there during the last two hours of heated debate. In fact, it has been known for some time that the act would be adopted by a simple majority because the coalition, as elected by the voters, has the necessary majority. Nevertheless, opposition deputies, using various arguments, tried to either delay, clarify details, or achieve a different result from what was intended.

What is the most important thing in the adopted act? Well, there is the item that removes the tax bands from the act. That is another legal loophole. We should get used to the fact that the law decides everything but can be interpreted in different ways. And the coalition has agreed that the tax bands will not be included in the budget act. They will be included in the finance minister's order, which will be in force during the transitional period.

[Announcer] I think that the average listener may not know too well what these legal loopholes are all about.

[Mielniczuk] They are all about the fact that nothing is going to change.

[Announcer] To all intents and purposes, these are all nuances.

[Mielniczuk] These are nuances. But let us clearly say one thing: There are as many views as there are positions. There are those who say that all this obviously and clearly means yes, and these are, of course, mostly people from the coalition, and there are those who say that it all obviously and clearly means no, and this is mostly maintained and believed in by the opposition. The whole thing dissolves into legal jargon, and if there is one thing we should learn quickly, it is legal skills.

Ladies and gentlemen, it is now seconds before the news conference begins. The last microphones are now being installed at the table where Deputy Prime Minister Kolodko will sit. Right now Deputy Prime Minister Grzegorz Kolodko has entered the room, accompanied by Deputy Finance Minister Elzbieta Chojna-Duch. He was not welcomed by any applause because this is only a news conference. So let us begin.

[Announcer] Are there a lot of people there?

[Mielniczuk] There are. So the news conference begins. It is probably going to be chaired by Ms. Grazyna Kowalska, the finance minister's spokeswoman. Mr. Kolodko has taken out a sheaf of paper from his case, a very thick sheaf.

[Announcer] Is the deputy prime minister happy, smiling or...

[Mielniczuk, interrupting] He seems to be concentrating. Everyone is concentrating.

[Announcer] Although the most important decision has been made. The budget...

[Mielniczuk, interrupting] The expected most important decision. We begin.

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[Kowalska] [Words indistinct] vote on the budget act.

[Kolodko] Shall we test the microphone?

[Mielniczuk] That was Deputy Prime Minister Kolodko.

[Kowalska] As you know, ladies and gentlemen, it was passed. Let us have the first comment by Grzegorz Kolodko, deputy prime minister and finance minister.

[Kolodko] Hello, ladies and gentlemen. I would like not only to make a comment, as Ms. Kowalska said, but also to report to you, ladies and gentlemen, several issues that are under way because every meeting with you is a good opportunity to make an attempt to convey some information, especially a meeting that is taking place on the eve of the end of 1994.

I would like to say that we prepared the budget bill on the basis of the fulfillment of several basic macroeconomic indicators as best known to us several months ago. But today, the majority of these indicators are even better than our optimistic assumptions. One of the five basic macroeconomic indicators is somewhat worse than it was when we sat down to draft the bill, which today is a bill no longer.

Well, as I see it today—and we will soon be able to verify this—the indicator of real growth in the gross domestic product in 1994 came to 5.0 percent; the rate of unemployment to 16.2 percent; the consumer price index—the rate of inflation—to 29.4 percent; and the producer price index to 27.5 percent. The ratio of the budget deficit to the gross domestic product is minus 3.1 percent. I would like to remind you that the budget act for the year ending tomorrow assumed this deficit at 4.1 percent. Finally, today we estimate the ratio between the current turnover account and the GDP at about minus 1.3.

Now, to the left of this, you can write down how these things looked in 1993. The GDP went up by 3.8. percent; this year it went up by 5 percent. The rate of unemployment a year ago was 16.4 percent, now it is 16.2 percent. Inflation, measured by the consumer price index, was 37.6 percent; now it is 29.4 percent. The budget deficit was minus 2.8 percent, and now it is about 3.1 percent. And the current turnover account was minus 2.4 percent; now it is 1.3 percent.

So, in fact we are maintaining the budget deficit at last year's level. In all other cases, we have made progress. In some we have radical progress—for instance, with the current turnover account balance, where we have a more than twofold improvement. In other places, we have significant progress—for instance, the decline in the rate of inflation by 8 percentage points. And in other places we have minor progress. Nevertheless, it is a success for the Polish economy that unemployment on New Year's eve will be lower than it was a year ago. [passage omitted]

[Announcer] Well, we could go on having fun for a bit, but I am not sure for how long.

[Mielniczuk] Here is what I will do, ladies and gentlemen. I will approach Deputy Prime Minister Kolodko.

Polish Radio, First Program. Deputy prime minister, because we are carrying a relay from the conference, and there is an interruption, and radio hates interruptions, especially dead air...

[Kolodko, interrupting] Quite right, just like real life.

[Mielniczuk] You have just cited a whole lot of data, data that in fact is not clear to the average man in the street.

[Kolodko] Well, I think for an average man—there are no average men at all; none of you are average. But those who found a job this year probably understand these data very well and are happier than those to whom this does not apply. Unemployment is down.

All those who have been spending money all year—and all of us have been doing that—and noticed that the prices go up less quickly, what we call inflation, although here there is still a lot to do, they also perceive this.

And economic growth? Well, this translates into domestic budgets in different ways: growth in real wages, say. And a significant part of the Polish public this year already noticed an increase in its earnings, and this is a concrete manifestation on a microeconomic scale, on the scale of the average man in the street, the nonexistent citizen who is averaged out in these statistics, unlike in real life.

As far as the data relating to the budget deficit or the balance of the current turnover account are concerned, this is fundamentally connected with what is going on, and it concerns all of us. Just as we can carry on with our lives without thinking too much about why the earth goes around the sun, we can carry on without being too aware of what is happening to the current turnover account. But the fact that it has improved so much is, to some extent, a success for all of our fellow countrymen, and it is also something that is of use to everyone because there are more and more high-quality goods on the market because this is an expression of the growth in the competitiveness of the Polish economy.

[Mielniczuk] Are you not concerned about the position of the opposition, which kept looking for legal loopholes in all of this, which tried to delay the time of the vote, seeing as the outcome was in fact clear from the outset?

[Kolodko] Of course I am concerned. It was you who said it was looking for legal loopholes because quite often it was reminiscent of picking holes. And, from this viewpoint, if you have no substantive arguments that show the superiority of alternative solutions that compete with those that were proposed, you resort to legal loopholes. But, as we all know, according to an old Polish saying, it is hard to pick holes in a whole.

[Mielniczuk] But the result of the vote? Was it clear from the outset?

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[Kolodko] Well, an important thing happened. The Sejm, the democratically elected Sejm of the Polish Republic, passed before the beginning of a new year—and we have not had that for many years—the budget act, with a majority of more than two-thirds. So, even if someone wanted to veto this sovereign will of the Polish democratic parliament, we could say that it is already clear that this Sejm has behind it more than two-thirds of the representatives whom we as the voters elected for ourselves in the democratic Polish state to represent our interests [sentence as heard]. And this budget, too, is to serve the implementation of the interests of the Polish economy and the Polish public to the extent that allows us to fulfill those desires, those expectations that are realistic.

[Mielniczuk] Deputy Prime Minister, what will things be like at this time next year?

[Kolodko] I think they will be better. We are now, ladies and gentlemen, stuck in a strange darkness. I have cited data from a crib sheet I have here on how things were a year ago and how they are to be in a year's time [as heard]. But next year I expect that the rate of growth of national income will be higher than this year, that unemployment will be down, regretfully by only a little, and that inflation will be down significantly. And, as we all remember, we have had arguments about the extent to which these assumptions are realistic. Today these are no longer assumptions; today these are a legal act. As far as the budget deficit is concerned, it will probably stay at the same level. The same will probably apply to these figures that are the least obvious...

[Mielniczuk, interrupting] You speak about all this so calmly, and yet it arouses so much passion.

[Kolodko] Well, I am generally a very calm man because I believe that now we need peace. What we need is common sense and peace. This is what I especially expect from politicians, that they put spokes in the wheels as little as possible.

And you, ladies and gentlemen, I wish peace because I always believe in the Poles' common sense. Although, as far as some politicians are concerned, I am beginning to have growing suspicions. Apart from peace, I wish you more and more good economic news, brought also by Polish Radio, by the First Program. These are my wishes to you and on this occasion probably to myself, too.

[Mielniczuk] Thank you very much.

Commission Signs Agreement on Public-Sector Pay

LD0301230895 Warsaw PAP in Polish 2211 GMT 3 Jan 95

[FBIS Translated Text] Warsaw, 3 Jan—On 3 January, after 10 hours of negotiations, the tripartite commission of the government, trade unions, and employers, signed an agreement on pay for public-sector employees.

The government agreed to guarantee public-sector pay increases of 6 percent above the real, rather than the estimated, goods and services price rise index. The agreement puts Solidarity and other trade unions under an obligation not to organize strikes or protests about public-sector pay until the end of the year. The moratorium on strikes does not include other matters the trade union may want to take up, including spending on the health service or employee welfare.

Two teams have been set up to deal with reforms in the health service, issues of health and safety at work, and the observance of the labor code.

The protest action headquarters has asked those on hunger strike to stop their action. Trade unionists expect this information to reach regional offices on Wednesday because of the lateness of the hour.

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Sarajevo Reports Cease-Fire 'Mainly' Holding

AU0401095295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0900 GMT 4 Jan 95

[FBIS Translated Text] It is clear that the cease-fire agreement is being observed on most of the territory in Bosnia-Herzegovina. This is confirmed by the fact that we have received only one report on the activity of the Serbian-Montenegrin aggressor in the past 24 hours on the territory of (?Zavidovici).

[Begin unidentified correspondent recording] The new truce was mostly observed in the theater of operations of the Bosna Operations Group yesterday. The only exception is small arms fire that the Serbian aggressor opened on (?Brandovici) at Elevation 715. In the afternoon, an enemy helicopter was observed along the (Postilovo)-(Stop) line and motor vehicle movement was registered along the (Pjesnica)-(Stevaljusa)-(Stop) line. Our fighters' positions are stable and unchanged and our fighters have not responded to the aggressor's operations.

This was the Press Center of the Bosna Operations Group with the help of the 3d Corps Press Center. [end recording]

Army Troops Withdrawing From Sarajevo Heights

AU0401093095 Paris AFP in English 0920 GMT 4 Jan 95

[Text] Sarajevo, Jan 4 (AFP)—Bosnian Army troops are due to complete a withdrawal from territory above Sarajevo Wednesday in the first concrete re-positioning of forces under a global four-month truce signed with rebel Bosnian Serbs. UN military authorities are scheduled to inspect the area, part of a demilitarized zone near Krupac on Mt. Igman south of here, later in the day.

UN officials also reported Wednesday that the Bihac pocket in northwestern Bosnia was relatively quiet overnight, with 11 shells falling around the town of Velika Kladusa. The area was rocked Tuesday by serious fighting, during which some 300 shells were fired, complemented by small arms rounds, according to UN spokesman Major Herve Gourmelon.

Dissident Moslem forces under businessman Fikret Abdic have allied with Serbs from neighboring Croatia in clashes with the Bosnian Army's Fifth Corps in the region. The fighting has continued despite an agreement by Abdic to honor the ceasefire.

The mainly-Moslem Bosnian Army agreed Monday in UN-brokered talks with Serb officers to withdraw from the zone above Sarajevo by noon (1100 GMT) Wednesday. But the military demanded in exchange that UN forces monitor the Hrasnica-Igman road, which is located east of Krupac and is the only route connecting Sarajevo with the rest of government-controlled Bosnia.

To the great displeasure of the United Nations here, government forces entered the zone, declared a demilitarized area by agreement in August 1993, during an offensive against Serb units last October. UN officials said the government had maintained between 200 and 250 soldiers in the zone.

The re-positioning was arranged under an overall cessation of hostilities accord that was signed by government and Serb political and military leaders on Saturday under UN auspices. The agreement calls notably for a separation of forces and the deployment of UN troops between the opposing armies, which the United Nations hopes to complete by the end of January.

Elsewhere, a British UN soldier was injured near Krupac Tuesday when he stepped on a mine, but a UN spokesman said the injuries were not life-threatening.

UN Notes Croatian Serbs Withdrawing From Bihac

AU0301185495 Paris AFP in English 1820 GMT 3 Jan 95

[FBIS Transcribed Text] Zagreb, Jan 3 (AFP)—Eight shells smashed into the town of Bihac in northwestern Bosnia on Tuesday [3 January] evening, amid reports that Croatian Serb forces had started to withdraw from the enclave, according to the United Nations here.

UN spokesman Edward Joseph told AFP from Bihac he had no immediate information on injuries or casualties resulting from the shelling attack, a breach of the four-month cessation of hostilities that began Sunday.

Another UN spokesman here, Michael Williams, said for his part that the withdrawal of Croatian Serb forces from the Bihac enclave was underway. It "is not complete, but it does seem to be substantial," he said.

Moslem-led government forces in Bihac have been battling a combined coalition of Bosnian and Croatian Serbs, allied to local rebel Moslems.

Joseph also reported more than 100 explosions from heavy artillery and small arms fire in the north of the Bihac pocket, east of the town of Velika Kladusa.

A UN spokesman in Sarajevo, Major Herve Gourmelon, earlier called the fighting around this town as "a little disturbing because there is no particular reason for the flareup in military activity."

A four-month nationwide ceasefire was signed Saturday and took effect Sunday. Dissident Moslem leader Fikret Abdic, whose forces have been fighting the Bosnian government in Bihac, has pledged to honor it. He had been backed on the battlefield by Serbs from the neighbouring Krajina region of Croatia, and the United Nations is now trying to persuade these Serb forces to respect the cessation of hostilities.

Military activity was also reported to the south of Velika Kladusa.

'First Step Toward Peace' in Bihac Area

LD0301173895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1711 GMT 3 Jan 95

[FBIS Translated Text] Pritoka near Bihac, 3 Jan (TANJUG)—The commission of the 2d Krajina Corps of the

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Srpska republic army for the implementation of the agreement on the four-month cessation of hostilities today announced that the first step toward peace in the Bihac area has been made.

In the Serb village of Pritoka, 2 km from Bihac, members of the commission of the 2d Krajina Corps for the implementation of the cease-fire and members of the headquarters of Muslim 5th Corps today lent their support to the agreement on the four-month cease-fire. The meeting was chaired by Colonel Salem, commander of the UN Protection Force's [UNPROFOR] Bangladeshi battalion.

The meeting also endorsed the proposal for drawing up maps on which the lines of separation will be established. Observer teams consisting of UNPROFOR members will be deployed along the lines. It has been announced that over the next few days a new meeting will be held which will precede the signing of the maps on separation and on the final agreement on the four-month peace on the BIhac-Krupa battlefield.

Serb, Croat, Muslim Military Officials Meet

LD0301214295 Zagreb HTV Television in Serbo-Croatian 1830 GMT 3 Jan 94

[FBIS Translated Text] Talks and negotiations which should strengthen the agreements on the cease-fire and the cessation of hostilities are being held in Bosnia-Herzegovina.

[Reporter Miljenko Karacic] Despite the snow covering the roads, as we can see on these pictures from Bugojno, representatives of the HVO [Croatian Defense Council] of the Croat republic of Herceg-Bosna, the Bosnia-Herzegovina Army and the Bosnian Serb army had their first meeting in Uskoplje [Gornji Vakuf] today. The UN commander for Bosnia-Herzegovina, General Michael Rose, condemned the Bosniak side because it had failed to send adequate representatives to this important meeting, about whose agenda Alija Izetbegovic himself was informed. Consequently, the talks could deal only with agreements on procedures for UNPROFOR [UN Protection Force] to cross the lines of separation and on the deployment of UN liaison officers in western and central Bosnia-Herzegovina. The crossing points should be established by 15 January and locations for the storage of heavy weapons and the separation of forces agreed at the same time.

The commander of UNPROFOR's southwest sector, Brigadier Gordon, said the fact that all three sides attended the talks was of historic importance.

[Begin recording by Brigadier Ivan Kolak, assistant chief of HVO general staff, identified by caption] We hope that over a certain period of time we will implement all the points in the agreement. [end recording]

[Karacic] It was also announced that all three sides would sign the documents discussed today in Sarajevo tomorrow.

Canadian, Serb Krajina Soldiers Wounded in Clash

LD0301125195 Belgrade TANJUG Domestic Service in Serbo-Croatian 1220 GMT 3 Jan 95

[FBIS Translated Text] Knin, 3 Jan (TANJUG)—Two Canadian soldiers and one soldier of the Serb Krajina army were wounded in an incident caused by soldiers of the UN Protection Force's [UNPROFOR] Canadian battalion, Lieutenant Colonel Janko Djurica told Radio Benkovac today.

The incident took place near the village of Kolarin, in Benkovac Municipality, when members of the Serb Krajina army tried to prevent the Canadian battalion's patrol from carrying out operations which were not envisaged by the cease-fire agreement.

According to Djurica, the Canadians opened fire and wounded one member of the Serb forces, who responded, wounding two soldiers of the Canadian battalion. The soldiers are not wounded seriously. A joint UNPROFOR and Serb Krajina army commission is investigating the incident.

Commission To Meet Again About Roads to Airport

AU0401100795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0900 GMT 4 Jan 95

[FBIS Translated Text] The central mixed commission for implementing the cease-fire agreement in Bosnia-Herzegovina will hold its second meeting today, Viktor Andreyev, head of the UNPROFOR Civilian Sector for Bosnia-Herzegovina, said. According to him, the topics of the talks will include roads leading to and from Sarajevo via Sarajevo airport. Andreyev demanded these roads be called airport roads instead of blue roads in order not to confuse them with blue roads, originally intended to serve for transport of humanitarian aid from (?Ploce) to Tuzla and Zenica.

(?All aspects) of the agreement are military and civilian at the same time, Andreyev said. For that reason, both military and civilian representatives of the United Nations, as well as of the (?sides) will be included in the talks now.

Sarajevo Airport Opens for Humanitarian Flights

LD0301132795 Belgrade TANJUG in English 1321 GMT 3 Jan 95

[FBIS Transcribed Text] Belgrade, Jan. 3 (TANJUG)—Sarajevo airport was on Tuesday reopened after a U.N. Ilyshin 76 cargo plane skidded of the runway and smashed into a mud bank three days ago. The REUTER news agency said that none of the 11 passengers and crew were injured.

A U.N. spokesman said that the United Nations expected to bring in 28 humanitarian flights on Tuesday.

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Serbs Say 2d Tunnel Dug Under Sarajevo Airport

AU0301150395 Sarajevo OSLOBODJENJE (Bosnian Serb) in Serbo-Croatian 27 Dec 94 p 8

[Report by "R.M.": "Another Tunnel Under the Airport"]

[FBIS Translated Excerpt] At the end of December of this year it will be one year since the Serbian side in Sarajevo warned the UN forces that the Muslims were digging a tunnel under Sarajevo airport's runway. We have recently managed to obtain information that there is not one, but two tunnels. [passage omitted]

We have learned from well informed quarters at an Austrian television station, whose team frequently visits the Muslim part of Sarajevo, that one tunnel is being used for pedestrians and the other for vehicles, in which the traffic moves in two directions. How long the tunnel is is illustrated by the fact that a luxury car takes 15 minutes to travel under the entire airport.

According to our colleague at Austrian television, whose name we cannot reveal for understandable reasons, work on the tunnel was done simultaneously from Hrasnica and the part of Dobrinja that is under Muslim control. Owing to the fighting and the proximity of the line of separation, instead of using machines for this job, the Muslims used Serbs from the central prison and the Viktor Bubanj prison in Svrakino Selo. At the Hrasnica end, instead of machinery, they used Serbian prisoners from the Silos prison in Tarcin, the Tunel prison in Bradina, and a prison in Konjic. In the absence of a work force, as the Muslim soldiers themselves told our Austrian colleague, all Serbs who could hold shovels were literally dragged out of their apartments. [passage omitted]

'Dissident' Serbs Split With Karadzic's Party

AU3012162394 Paris AFP in English 1526 GMT 30 Dec 94

[FBIS Transcribed Text] Belgrade, Dec 30 (AFP)—A group of seven Bosnian Serb deputies split with the leadership of their self-styled republic over its nonacceptance of the Contact Group peace plan for Bosnia-Herzegovina, the official Bosnian Serb SRNA news agency reported Friday.

The seven members of Serb leader Radovan Karadzic's nationalist Serb Democratic Party, said to be on the left of the party, broke away late Thursday to form an "independent group" headed by Milorad Dodik, the agency said.

The president of the 84-seat "parliament", Momcilo Krajisnik, criticised the move as introducing "party conflict" into the assembly at a time "when the (Bosnian Serb) state is being born." He accused the group of "maintaining links" with Belgrade, which has urged the Bosnian Serbs to accept the contact group plan though the separatist leadership has insistently rejected it.

Karadzic played down the development, saying that "people are entitled to have a different opinion and defend positions which are, let's say, on the left."

The split came during a session in which deputies said they approved the Serb leadership "joining the peace process on the basis of the agreement reached with (former US President) Jimmy Carter."

In pre-Christmas mediation Carter secured agreement on a ceasefire which came into effect on December 24 to be followed by a four-month cessation of hostilities, and proposed using last summer's peace plan, drawn up by the United States, Russia, France, Britain and Germany, as a "basis" rather than regarding it as definitive as hitherto.

The seven dissidents were on the left of the Serb parliament, former supporters of the Yugoslav prime minister prior to the Federal Republic's break-up, reformist Ante Markovic, SRNA noted.

Silajdzic, Turkish Ambassador Discuss Agreements

AU3112150294 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 30 Dec 94

[FBIS Translated Text] Haris Silajdzic, prime minister of Bosnia-Herzegovina, today received Sukru Tufan, Turkish ambassador to Bosnia-Herzegovina. During the talks, they discussed results of the visit Dr. Silajdzic recently paid to Turkey and activities for the quick implementation of agreements reached by the two governments. The realization of the agreement on the purchase of oil and agreement on humanitarian aid and other items are involved.

It was asserted that the Turkish Government had directly endorsed a commercial deal that makes it possible for Turkey to deliver 13,500 tonnes of oil to Bosnia-Herzegovina.

Ambassador Tufan informed Prime Minister Silajdzic that a Turkish humanitarian convoy containing food, plastic sheeting, and school equipment is to arrive in Bosnia-Herzegovina next week.

Defense Minister Prlic Views Forming Joint Army

AU0201124095 Zagreb VJESNIK in Serbo-Croatian 23 Dec 94 p 7

[Interview with Jadranko Prlic, prime minister of the Croatian republic of Herceg-Bosna and deputy prime minister and defense minister of the Bosnia-Herzegovina Republic and Federation, by Ivan Sabic; place and date not given: "Problems With Army and Local Self-Government"]

[FBIS Translated Text] *Attempts to establish a joint command of the Bosnia-Herzegovina Army and the HVO [Croatian Defense Council] have practically been made since the two military formations were founded. More of*

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those attempts were made after the signing of the Washington Agreement and the end of their conflict, but the agreement which Presidents Tudjman and Izetbegovic signed this fall in Zagreb provided additional incentive. On that occasion, the two presidents agreed to pass a defense law to deal with the problem of joint command. We asked Jadranko Prlic, prime minister of the Croatian republic of Herceg-Bosna, deputy prime minister and defense minister of the Bosnia-Herzegovina Federation and Republic, to tell us more about that.

[Sabic] Even before the session of the Assembly in Zenica, there were rumors about problems standing in the way of reaching a consensus on the defense law. How much progress has been made with regard to that?

[Prlic] There has been no progress at all. The law has still not emerged because we cannot reach a consensus on most fundamental questions. We agree on almost all technical questions, but we are still in disagreement over two basic problems. The first being the name of that army. I proposed calling it "Vojska Federacije" [Federation Army; "vojska" being a more Croatian word for army], while the Muslims proposed calling it "Armija Federacije" [Federation Army], which we cannot accept. The second fundamental difference is the fact that we want this army to be composed of two parts—the HVO and the Bosnia-Herzegovina Army, i.e. Croat and Muslim parts—while the Muslims want a unified army, which we think is both unacceptable and unrealistic. Much has been said about the danger of extending influence through the army and accepting this concept would clearly have disastrous consequences for the Croats in Bosnia-Herzegovina.

This problem must be solved at the highest level by representatives of Bosnia-Herzegovina Croats and Muslims. Only after it is solved, will I—in my capacity as defense minister of the Federation—be able to propose to the government and to the Constituent Assembly a corresponding bill. I cannot propose anything before we achieve a consensus on the issue.

[Sabic] In September, after the signing of the Zagreb Agreement according to which the defense law was supposed to be passed within two weeks, people were rather optimistic. What went wrong and where? Is this really all about the two details you mentioned?

[Prlic] Just those two problems. Other problems are not that serious, whether service will last nine or 10 months, whether this or that.... Those are minor obstacles. I think we will also come to an agreement regarding full authority of the Defense Ministry, and that our solutions are based on the model of Western democratic countries, i.e. that a corresponding ministry has full authority regarding the matter of defense and that the joint command, together with commands of both military formations, act only as military components of a comprehensive defense system.

[Sabic] Some, however, contend that the disagreement over the "rotation" in the very top of the Federation is actually blown out of all proportion, in order to postpone the passing of some laws that the Muslim side cannot and does not want to pass.

[Prlic] People are always second-guessing, but I do not want to do that, nor am I interested in that. I know that the Croats cannot accept that all high functions in the republic and the federation be held solely by members of one nation or even one party. That is absolutely unacceptable and that is my final word. I do not even want to try thinking what may be behind that. Those who propose that should think about it.

[Sabic] Do you think a solution acceptable from the Croat point of view will be found or could there be more misunderstanding?

[Prlic] A solution acceptable for the Croats must be found and most Muslims think the Croats are right with regard to that. Consequently, we will not give up.

[Sabic] What do you think about the option that Mr. Zubak mentioned, that there could be a "rotation" of prime minister and deputy prime minister, if a Croat were appointed prime minister?

[Prlic] I do not know anything about that.

[Sabic] So, you do not want to comment on that combination?

[Prlic] I do not want to comment on that, nor does it interest me.

[Sabic] Then let us get off the subject for a while. Can you tell us about the cooperation between the Bosnia-Herzegovina Army and the HVO? Can we say it really exists, that it is not just all politics and propaganda?

[Prlic] It is becoming more alive by the minute in certain areas of Bosnia-Herzegovina. We are not advertising the fact, bearing in mind that our political officials prefer not to expound on purely military subjects only for the sake of cheap propaganda. Results are the only propaganda an army needs. Nothing more.

[Sabic] There have lately been some quite admirable results, especially in areas where the HVO is fighting against Serb forces.

[Prlic] The HVO has liberated about 2 percent of the Bosnia-Herzegovina territory, which is the most important victory in this war since 1992, when municipalities of Stolac, Ravno, and parts of municipalities of Mostar and Capljina were liberated in the valley of the Neretva.

[Sabic] Have you made any contact with General Vlado Santic and his 101st HVO Bihac regiment? Are you familiar with their situation?

[Prlic] It is very difficult to communicate. Our soldiers (barely more than a battalion) confronted the strongest onslaught of the Serbs. The unit was neither adequately equipped nor logistically supported.

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It goes without saying that I follow their activities, but we cannot send them any tangible means of help for the time being. We sent them help before. They have instructions how to act in this case and I believe they are following them.

[Sabic] What do you think about the overall situation in Bihac? Will the Croats be sent into exile or is it more likely that Bihac will be declared a safe zone, like those in Srebrenica or Zepa, in which the Croats would coexist with the majority nation?

[Prlic] Safe zone will be a part of the solution. Demilitarization is also imminent. The Croats make only 2.5 percent of the enclave's population, while there is a slightly higher percentage of Croats in the town of Bihac. Nevertheless, the Croats are still a fairly marginal force compared to the body of the majority nation. I have already told you how many soldiers we have there. We cannot do much about their situation, but we must make a detailed analysis for the sake of future military actions in general. There is one more thing I would like to say, and I often say this to my colleagues in the government: let us not always blame others for mistakes, for we made most of those mistakes ourselves.

[Sabic] Karadzic' (purported) peace proposal and mediating mission of former U.S. President Carter make the news. What do you think about all that?

[Prlic] Karadzic has not even presented any proposals. He just proposed certain things that go without saying, that each of the three sides are obliged to implement in keeping with earlier international agreements. So he did not say anything new. He is simply playing for time, nothing else. Consequently, I do not think it is very important. I welcome the mission of former President Carter and every other goodwill mission. The results it produces will tell us how successful it was.

[Sabic] Did the latest peace mediator contact representatives of the Bosnia-Herzegovina Croats or did he think it enough to hear the views of the federal government in Sarajevo?

[Prlic] As you know, he first met with President Tudjman, and we are not hiding the fact that all of us, all Croat officials in Bosnia-Herzegovina, stick to a unified Croatian policy. Not only do I not hide the fact, I am proud of it, too.

[Sabic] So you think that it was not necessary for Mr. Carter to meet with Croat officials in Bosnia-Herzegovina?

[Prlic] It was necessary, but I think that Mr. Carter got all the relevant information to make his decision—to the extent he has the authority to do so and depending on his power and influence.

[Sabic] Perhaps the Serbs, after much hard "work" on seizing the Una railway line, are finally willing to reach some kind of a compromise?

[Prlic] I do not believe they will seize the Una railway line. It still hangs in the balance and I would not dare be so definite about it.

[Sabic] Still, do you think that they are now closer to signing an agreement?

[Prlic] The Serbs are always ready to sign. That is not the issue. Though they will sign only what they want. However, a solution is found only when all three sides are willing to sign.

[Sabic] As far as the Serbs are concerned, they obviously do not want to sign the Contact Group plan?

[Prlic] We do not have any other plan, so that one is still valid.

[Sabic] Apart from the national defense law, disagreement between federal partners has also appeared with regard to the forming of new municipalities, i.e. the bill was supposed to be presented at the session of the Constituent Assembly in Zenica. Has a compromise been reached regarding controversial details?

[Sabic] On the whole, we still disagree and there is no legal basis in the sense of Federation judicial system. We were supposed to discuss the forming of new municipalities, but the government I presided over decided that those criteria be discussed together with the bill on local self-government at the next session. My view is quite unambiguous: we must provide for the forming of a large number of municipalities by first defining their authority in a bill on local self-government. At present, there are 76 municipalities or parts of municipalities in the Federation. Let there be 200 or 300 municipalities in the future, let people exercise their rights as soon as and as directly as possible. Why should that bother anyone? Anyway, most democratic countries do that.

[Sabic] Would increasing the number of municipalities speed up the process of realization of the Federation and the return of refugees?

[Prlic] I think it would. Anyway, if people want something, if they want to found their own municipality, why not let them?

[Sabic] I mentioned the return of refugees because people think that the forming of a special Croatian municipality, for instance in Kakanj, would speed up the process and attract the Croats who fled the area during the conflict between the Bosnia-Herzegovina Army and the HVO.

[Prlic] That is true, but it could always be the other way around. We always think of ideal circumstances and then stick to it as if there are no other aspects.

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RSK Statement on Talks With Owen, Stoltenberg

LD0301163095 Belgrade SRNA in Serbo-Croatian 1418 GMT 3 Jan 95

[FBIS Translated Text] Knin, 3 Jan (SRNA)—The peace process between the republic of Serb Krajina [RSK] and Croatia has already produced significant results thanks to the consistent policy of Krajina's leadership and the decision that all disputed issues must be resolved through direct talks on the basis of equality.

This is stated in a statement by the information service of RSK president Milan Martic issued in connection with last night's talks in Knin with Lord Owen and Thorvald Stoltenberg, the cochairmen of the Conference on the Former Yugoslavia.

"The RSK authorities have shown a very high degree of cooperation in the talks so far, something that cannot be said of the Croatian side," the statement stresses and adds that during the talks it was drawn to the attention of the cochairmen that Zagreb is not respecting the cease-fire agreement, which is causing an extremely unfavorable atmosphere for the conduct of the talks.

Besides this, the guests were also apprised of the fact that the RSK, in the interests of peace, had set about opening up the Zagreb-Belgrade highway in extremely unfavorable circumstances and that, according to the agreement, the Croatian side is obliged to deliver generator parts for the Obrovac hydroelectric plant.

The cochairmen gave firm assurances that they had interceded personally with a view to ensuring that Zagreb fulfill its obligations as soon as possible.

President Martic's information service says that at last night's meeting there was discussion of the opening of the oil pipeline and the formation of a mixed oil company, as proposed by the international conference.

The statement stresses that the Krajina negotiators were united in the view that the proposed model of the formation of an international oil company was acceptable in principle, but that it was necessary to cut out from the proposal all the provisions affecting the question of political relations between the RSK and Croatia.

After detailed analysis and talks, Cochairmen Owen and Stoltenberg, it is said, respected the need to modify some points of the proposed agreement, and this should be resolved in direct talks between Krajina and Croatian negotiators.

PM Valentic Views Strike, Economic Issues

AU0201094695 Rijeka NOVI LIST in Serbo-Croatian 24-26 Dec 94 p 5

[Report by Edita Vlahovic on news conference by Prime Minister Nikica Vlaentic in Zagreb on 23 December: "It Would Be Crazy to Break Strikes by Making Arrests"]

[FBIS Translated Text] At the request of the University of Zagreb Press Center, Prime Minister [PM] Nikica Valentic held a news conference yesterday at which he answered questions mostly concerning social and economic policies. The prime minister referred to precisely these topics as the areas he is the most responsible for. Answering questions of local and foreign reporters, Valentic devoted the most attention to the current railroad workers' strike, although, as he pointed out, this is not the greatest problem the Government is faced with.

Answering a SLOBODNA DALMACIJA reporter's question, Prime Minister Valentic denied the report regarding the government's intention to break the strike(s) by making arrests, if necessary. "There will be no arrests, because that would be crazy. It is not 1945, or 1971," the prime minister said, adding that some union leaders are "growing mustaches, pretending they are Walesa, and they want us to arrest them, but that will not happen." After the remark that the unions claim Valentic is not telling the truth about the salaries of Croatian Railroads employees, the prime minister repeated that the average salary in this public company is between 1,350 and 1,400 kunas. The prime minister also said that Minister Ivica Mudrinic was not responsible for the spreading of the railroad workers' strike, as a group of parliament representatives claimed when they demanded that he be given a vote of no confidence. Namely, he said that Mudrinic's ministry was a hard one to handle, and that he certainly made mistakes, just like everyone else, but that, in the case of this strike, he did not act independently, but implemented the decisions of the government.

Anarchy—the Forecourt to Dictatorship

Emphasizing that the right to strike is a democratic acquisition, the prime minister remarked that the reason strikes are experienced as dramatic here is, on the one hand, that we are not used to strikes, and on the other that the legislative status of workers, and thus the status of strikes, has not been regulated yet. Valentic repeated that the railroad workers' strike was an introduction to the battle of the Labor Act. Announcing the possibility of consensus between the government and the unions concerning this issue too, Valentic added that the union positions were unacceptable, since no authorities could function under such conditions, because the unions would get the mechanisms with which they could block the economy whenever they wanted to.

Prime Minister Valentic said that the introduction of the compulsory work order had a constitutional and legal basis, and that the railroad workers had to take it seriously, like mobilization—which in fact it is. Valentic said another reason for introducing the compulsory work order is the "frustrations of the common people." "People from the frontlines, volunteers, and disabled war veterans have contacted us, threatening to start introducing order themselves," said Valentic, adding that anarchy was the forecourt to dictatorship. Moreover, Valentic complimented the strikers because they had gone on strike even before the democratic elections, and also because they had the nerve to go on strike now. He also said he hoped that an agreement would soon be reached between the government and the

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unions, regardless of the compulsory work order, which the government would not revoke.

Referring to the parliamentary debate on next year's budget, prime minister said he believed it would be adopted after Christmas, since the representatives had not expressed any substantial objections. Valentic emphasized that giving up on the program would imply the return of inflation and loss of economic stability. "Without economic stability there is no political stability. Therefore, if you have an economic anarchy, you will also have a political one," said Valentic.

Asked by a Russian news agency reporter if he believed in the economic reintegration at the territories of the former Yugoslavia and some sort of confederation among the newly emerged states, Valentic said: "I absolutely believe in that, because economy knows no borders; but only under certain conditions."

The Former Yugoslavia—One Geocconomic Entity

"The territory of the former Yugoslavia is one geoeconomic entity, and it will be one geoeconomic entity again one day. However, the main precondition for this is the mutual recognition of all the states that emerged from the former Yugoslavia. This is the political precondition, which will soon be followed by economic reintegration. For instance, the Adriatic oil pipeline is the jugular vein of several Central European countries. Serbia cannot undergo normal economic development without a normal supply with energy products, and the only normal supply is the Adriatic oil pipeline. Therefore, it is clear that once the political relations are resolved, this oil pipeline will be used by Serbia, Bosnia, Hungary.... The precondition for this is the political- diplomatic recognition, after which economic cooperation will follow. You can call it economic reintegration, but any form of political reintegration in these areas is out of the question," replied Valentic.

The Russian reporters were also interested in Valentic's assessment of the so-called Russian program in the Croatian shipbuilding industry. The Croatian shipbuilding industry is capable of taking over any job, and I believe that as early as next year Croatia will be among the leading shipbuilding countries, said Valentic, adding that important business has been concluded with the Croatian liner ship operator and Iran, and that there are chances business will be concluded with China and Malaysia too. Valentic said that in 1995 the Croatian shipbuilders will have work to last until the end of the century, which is the deadline for restructuring of shipbuilding. The Croatian Government supports shipbuilding because, both in personnel and technological terms, it is one of the top shipbuilders in the world.

As far as trade with Slovenia is concerned, it has been revived within the past several months, so Valentic expressed hope that Slovenia would soon be one of Croatia's main partners. At the request of a Slovene Radio and Television reporter to explain why there had been a standstill in the Croatian-Slovenian relations, and who was responsible for it, Valentic said that the relations between the two countries were burdened by several big problems, which is a consequence of the division. The prime minister repeated the familiar positions of the Croatian authorities concerning Ljubljanska Banka, the Krsko nuclear power plant, and Piran Bay, and announced that the Croatian-Slovene talks would be continued.

[Box, p 5]

Katicic Has Not Been Replaced

Asked by the reporter of NOVI LIST and GLAS ISTRE to say something about the events in Privredna Banka Zagreb, which have jeopardized the country's monetary stability, and the measures taken by Pero Jurkovic, governor of the National Bank of Croatia, Prime Minister Valentic said that the move that Privredna Banka Zagreb had made would result in no macroeconomic damage, since the surplus in the net domestic assets would be neutralized.

"Privredna Banka bears the brunt of all the problems in restructuring the economy," said Valentic, adding that the economic issues would be resolved when the issues of the public companies and Privredna Banka are resolved. The rehabilitation process has been started with strict control of balances, said Valentic, and Privredna Banka has managed to turn part of its bad debts into stocks, which was good in one stage. However, now it will have to start selling the companies and clean its holdings, in order to start clearing certain bad debts. In that sense, Privredna Banka Zagreb was presented with clear positions of the Government, and it will carry out that policy, said Valentic. He also referred to the turning of the old foreign currency savings into new. He said that the overall Croatian politics was aimed at decreasing the old foreign currency savings, and that the process would be speeded up next year through additional liberalization. However, the prime minister claims that the recent move of Privredna Banka Zagreb is, from the formal-legal and banking point of view, disputable, but that it is questionable whether it is harmful from the economic point of view. Since Croatia, in its Letter to the IMF, took on the obligation concerning the growth of the net domestic assets, the National Bank of Croatia had to intervene, said Valentic.

Commenting on the report regarding the replacement of Martin Katicic, manager of Privredna Banka Zagreb, as well as of Governer Pero Jurkovic, Valentic said that, despite his promise that he would not tolerate any moves that exceeded the framework of the government policies, the replacement of the manager of Privredna Banka Zagreb, which is within the government competence, was out of the question. "Since the Parliament appoints the governor of the National Bank of Croatia, I cannot speak on behalf of parliament, but I am sure that there was no serious talk of replacing the governor. He has the complete support of the government, since, without order in business banking, there can be no order at all," said Valentic, concluding that this case showed the decisiveness of the government not to tolerate disorder, even if the matter concerned a state bank.

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EU Mission Chief Views Viability of Federation

AU0201093795 Zagreb GLOBUS in Serbo-Croatian 23 Dec 94 pp 5-6, 52

[Interview with Paul Joachim von Stulpnagel, chief of the EU Observer Mission in Zagreb, by Davor Butkovic; place and date not given: "The Z-4 Group Plan for Croatia Has Been Completed, and the Croatians Will Be Satisfied With It!"]

[FBIS Translated Text] *Chief of the European Union [EU] Observer Mission in Croatia, German diplomat Joachim Paul von Stulpnagel, is a man with an impressive biography. He was born in 1927 in Potsdam. His father and uncle, high officials of the Wehrmacht, took part in the coup against Hitler in 1944. After the coup failed, his uncle attempted suicide; he did not succeed, so he was hanged. His father, a German Army general, ended up in a concentration camp, where he saw the end of World War II.*

After the war, Joachim Paul von Stulpnagel did various kinds of physical work in order to earn the money for his education. He studied Semitic languages and did his doctoral thesis on the first written biography of the prophet Mohammad. In the early sixties he embarked on a diplomatic career. He has served in Addis Ababa, Tehran, Bonn, Brussels, Moscow, Rabat, and Bonn again. Von Stulpnagel was also the German ambassador to the Geneva Conference on Disarmament and chief of department for missile systems and space technology at the German Foreign Ministry.

Ambassador von Stulpnagel became chief of the European Union Observer Mission in Croatia in the summer of 1994, when Germany took over the presiding position in the European Union. In the six months of his mandate, Von Stulpnagel had many contacts with the representatives of all the conflicting sides at the territory of the former Yugoslavia; he took part in the most delicate negotiations, and is one of the most competent foreign diplomats in Croatia.

[Butkovic] Do you believe that the Federation of the Croats and Muslims in Bosnia-Herzegovina will survive, considering the reports you receive from the ground, as well as the latest political conflicts concerning the presidential position in the Federation?

[Von Stulpnagel] The Federation certainly has a chance of surviving. However, it is always necessary that, in creating a new political entity, the pressure comes from the top. The Federation cannot be built at lower levels. If the Federation fails, it will be the responsibility of the people at the top. If the Federation does not fail, it will be the success of the most responsible people. The political leaders of both the Croat and the Bosniak side must make additional efforts in order to resolve the current problems concerning the functioning of the Federation.

We have been carefully observing the situation on the ground, from a close perspective, and have been trying to help the people become closer, so that there is freedom of movement and freedom of religious belief, but the situation is really not good enough.

Moreover, the current situation, in which the Bosniak side has a very powerful influence in the Federation institutions, is difficult for the Croat side to accept. This is why the Bosniaks will have to give something to the Croats. In the Federation institutions a balance between the Bosniaks and Croats should be created, so that additional, unnecessary tensions do not emerge.

Another problem is that both the Croat and the Bosniak leadership talk on behalf of their parties, and there is, in fact, only one party on each side, which, in my opinion, is not a very healthy situation. I think that this should be changed. This way, there is no real multiparty system in the Federation.

Still, I will repeat that there is a chance for the Federation to survive, simply because there is no other choice.

[Butkovic] Do you think that the leadership of Herceg-Bosna really supports the Federation?

[Von Stulpnagel] I discussed this with Kresimir Zubak and Jadranko Prlic last week. It is completely clear that Herceg-Bosna has a different view of the Federation than Sarajevo. They have different views of how the state should be organized.

You see, it is difficult to fit into the Federation two systems that are so opposed as the one in Mostar and the one in Sarajevo. Indeed, the differences between the Croats and Bosniaks—when the organization of the Federation is concerned—are great.

I think that, when you want a federation to really work, you first have to coordinate the system that constitutes the federation. I do not see anyone doing anything in that area. This is where the problem lies.

[Butkovic] Do you think that a new Croat-Muslim war could break out because of this situation?

[Von Stulpnagel] No, I do not think that another Bosniak-Croat war could emerge. I think that both sides are aware of the scope of the idea of Greater Serbia; I think that both the Croats and the Muslims now know that they must create something that will make it possible for them to survive on their territories.

[Butkovic] Taking into account the events on the ground in the past few weeks, from the battle for Bihac to the offer to the Bosnian Serbs to enter a confederation with Belgrade, has Bosnia-Herzegovina not in fact been divided already? Are you afraid that the Croats will also demand their part of Bosnia-Herzegovina again?

[Von Stulpnagel] No, I think that this will not happen. I have the impression that there is now a sincere wish both on the Bosniak and the Croat side to find a way, to find the means to make the Federation really function. I decided this was so last week, during the talks.

[Butkovic] What should be done for the Federation really to be brought to life?

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[Von Stulpnagel] The Washington Agreement is not enough. There has to be a clear concept on what type of units enter the Federation. I repeat, the Bosniak state is organized in a completely different way than Herceg-Bosna. This is why it is very difficult for them to be together. However, this task must not be given up on. The parliament should play a more important role in this. However, it did not succeed during the session in Zenica last week.

[Butkovic] Is the Croat resistance to replacing Kresimir Zubak from the position of Federation president justified?

[Von Stulpnagel] In any pluralist democracy there has to be a balance. I do not know whose responsibility it is that this has not been considered before. However, the Bosniak political leadership has to be aware of this.

On the other hand, Mr. Ganic, who is supposed to replace Mr. Zubak, is a great supporter of the Federation. Last week I agreed with him that wherever we noticed specific problems in the Croat-Bosniak relations, he would personally go to the ground with our people to help resolve these problems.

Therefore, Mr. Ganic acts in a very favorable way on the ground.

[Butkovic] In what parts of the Federation have your people noticed the most problems?

[Von Stulpnagel] The least comprehensible fact is that at the territory of Herceg-Bosna a canton has not been formed. In some parts of Herceg-Bosna there is complete Croat majority, and there is no canton there yet, which is very bad.

[Butkovic] Several reports have been issued on the alleged ethnic cleansing of Muslims in Stolac and Capljina. According to the information you have, are these reports correct?

[Von Stulpnagel] It is true that at the entire territory of Bosnia-Herzegovina hundreds of Muslims are still leaving the Croat territories because they are afraid. Others leave other territories because of the same kind of fear, because they cannot get a job, because human rights are violated.

This ethnic cleansing is not happening because of physical force, as is the case in the areas controlled by the Bosnian Serbs, but because the people feel that something could happen to them. This is contrary to the spirit of the Washington Agreement, which was aimed at achieving something completely different.

[Butkovic] What is your assessment of the situation in Mostar?

[Von Stulpnagel] The Mostar mayors are having great problems with their people. I know both of them; they are brave people, and they are really trying, but they are having great difficulties with their associates. As far as I am concerned, there is no doubt that the HDZ and the SDA in Mostar are more important than its mayors.

However, I think that, step by step, the situation will become less difficult, that the regime at the checkpoints will be made less strict, that joint police patrols will be formed from the Bosniak police, the Croat police, and the EU police. All this takes time.

[Butkovic] I would like to go back to the issue of the survival of Bosnia-Herzegovina: do you really believe that Bosnia-Herzegovina will survive as one state?

[Von Stulpnagel] I believe that Bosnia-Herzegovina will survive. You mentioned the possibility of confederation between the Bosnian Serbs and Yugoslavia. However, this is a matter of wrong interpretation! The possibility of confederation has not been mentioned anywhere. The Serbs were in fact offered to have an equal, or, better said, balanced treatment, like the Federation does. Therefore, they can have the kind of relation with Yugoslavia as the Federation does with Croatia.

I discussed all this at Pale last week. The politicians from Pale accepted this remark, this explanation, or offer, to have that kind of relation with Belgrade as the Federation does with Croatia—therefore, that they were being offered the same treatment as the Federation.

[Butkovic] Are you trying to say that the Bosnian Serbs have accepted that part of the peace plan and that they are not insisting on confederation with Yugoslavia?

[Von Stulpnagel] I did not meet anyone at Pale who would insist on confederation. Namely, when I told them that the Bosniak-Croat Federation would not be internationally recognized, they told me: "All right, we are not demanding anything more."

[Butkovic] However, this is completely opposite to Karadzic's public appearances, in which he keeps insisting on the independence of the "Srpska republic" and its subsequent union with Yugoslavia.

Do you believe, after the talks at Pale, that the Serbs will finally accept the Contact Group peace plan?

[Von Stulpnagel] They told me at Pale that there were certain conditions under which the Bosnian Serbs were prepared to accept the peace plan. I forwarded their conditions to the negotiators. We will see how the negotiators will react to the Serb conditions.

[Butkovic] What conditions were they?

[Von Stulpnagel] I cannot tell you that now.

[Butkovic] One of the reasons we can talk about the factual division of Bosnia-Herzegovina is the fact that each of the three constituents of Bosnia-Herzegovina has its own monetary system. Do you really think it is possible for a state to survive with three currencies?

[Von Stulpnagel] In fact, there are four currencies: the Sarajevo and Bosnian dinar, the kuna, which is good in Herceg-Bosna, the Serb dinars, and the German mark, which is good in all parts of Bosnia-Herzegovina.

You see, in the nineteenth century sovereignty was confirmed by the possibility of a country to declare war, and in the 20th century sovereignty is confirmed by the power of

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money. In Bosnia, the elements of both the nineteenth and the twentieth century are mixed.

[Butkovic] Moreover, how can the survival of Bosnia as a state be discussed, when one of its parts, the Bihac pocket, is being destroyed, and nobody is doing anything about it, although it is a UN safe area?

[Von Stulpnagel] I think that the Serbs are not interested in controlling the entire Bihac pocket. They want to destroy the 5th Corps of the Bosnia-Herzegovina Army, and they are helping Abdic destroy Velika Kladusa completely. However, Abdic is thus losing his economic basis. This economic basis—Agrokomerc—has disappeared. The Serbs will not worry at all about how Abdic and his supporters are going to manage in this ravaged and destroyed area.

[Butkovic] However, the point is that this is a UN safe area, which no one wants to protect.

[Von Stulpnagel] It is true that no one can enter the Bihac pocket, the area that was proclaimed a safety area in April last year. The UN forces that are there can most certainly not protect Bihac. UNPROFOR would certainly have great problems, but, as a warring side, it would try to protect any of the safe areas.

[Butkovic] Why did the UN proclaim certain areas in Bosnia-Herzegovina safe areas?

[Von Stulpnagel] This is a very good question, which I cannot answer.

[Butkovic] Do you think that the Bihac pocket could have been protected with air strikes?

[Von Stulpnagel] Considering the ground configuration, I think that air strikes could not have stopped the Serbs, except if there were a mass bombing of the entire area in which fighting is going on, which would lead to considerable casualties among the civilian population, and that would be unacceptable.

[Butkovic] Are there really considerable differences between the English and French behavior toward Bosnia on the one side, and the German on the other, as is often claimed in the public?

[Von Stulpnagel] All the EU documents were adopted unanimously, and all the NATO documents were adopted unanimously. I therefore do not believe that in the conflict in the former Yugoslavia the English and the French are on one, and the Germans on the other side.

Firstly, I really do not know the motives of behavior of all the European Union countries; secondly, the fact is that Britain and France have troops on the ground, which makes these countries particularly cautious. It is completely understandable that the English and the French are concerned about their soldiers in Bosnia. Germany, on the other hand, does not have soldiers in Bosnia.

[Butkovic] What is your comment on president Carter's visit to Bosnia-Herzegovina? Do you think that Carter can really help establish peace?

[Von Stulpnagel] If you had asked me what my assessment of president Carter's visit was, I would have answered that this event could not be assessed. Many people have tried to help establish peace in Bosnia, and they achieved nothing. If Carter has this special gift of persuading anyone to agree to certain solutions, then he should use it. I do not know if he can; I do not know him personally.

[Butkovic] Carter's visit to Pale has been commented in German papers as Karadzic's great diplomatic victory....

[Von Stulpnagel] You cannot expect me to interpret the opinion of the German media. I really do not know why Mr. Carter did this; I do not know what his motives were. It is best we wait for the results. If his visit is not successful, it will be one in the series of failures, and Carter will be another person who has done nothing for Bosnia.

On the other hand, if he does achieve something, that will be very good.

[Butkovic] Do you see any peaceful solution for Bosnia-Herzegovina within a reasonable time?

[Von Stulpnagel] The most important thing is to achieve a cease-fire. After the cease-fire the agreement on the cessation of hostilities should be achieved. All this takes time—let us say, six moths.

During these six moths the Bosnian Serbs should not only accept the Contact Group maps, but also sit down at a table somewhere in Europe (not necessarily in Geneva) and start negotiating seriously.

[Butkovic] Are there plans for changing the maps?

[Von Stulpnagel] Everbody should be prepared, once the maps are adopted, to negotiate changes on them. Everybody.

[Butkovic] However, can the percentage of the territory that belongs to the Serbs and the percentage that belongs to the Federation be changed?

[Von Stulpnagel] The Contact Group talks about the 51:49 ratio, which the Bosnian Serbs have accepted in principle—which is not the case with everyone in Bosnia-Herzegovina. If there are changes in the percentage of territory, then the old figure of 38 percent for the Serbs could reappear. This can be debated, especially if the Serbs agree to less. Sarajevo and Mostar are prepared to negotiate that.

I think that the Serbs getting more territory cannot be negotiated at all.

[Butkovic] What would have happened if Croatia had carried out a military intervention in Bihac, which a great part of the Croatian political public demanded?

[Von Stulpnagel] We cannot discuss a cease-fire and open new front lines at the same time. This is why I think that a Croatian military intervention in Bihac would have been a bad solution, not to talk about the specific problems Croatia would have faced in a new conflict with the Serbs. Everyone knows that the Serbs have many more heavy weapons than the Croatians, and that they would have used them. The

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result of the Croatian action at Bihac, through the UN Sector North, could have had unpredictable consequences.

[Butkovic] Do you think that the Z-4 plan is acceptable to Croatia?

[Von Stulpnagel] I think that it is completely acceptable. The plan has been completed, and I have seen the last version of the document, in which even the most unpleasant issues, such as citizenship, have been resolved in a favorable way for Croatia.

[Butkovic] What about special money for the "Krajina"?

[Von Stulpnagel] Believe me, I really have reason to consider the final version of the Z-4 plan acceptable to Croatia.

[Butkovic] Do you believe that it is also acceptable to the Serbs from the occupied areas?

[Von Stulpnagel] As you know, the Z-4 plan is not based on the "take it or leave it" principle. It can be worked on. However, it is true that none of the people I talked to in Knin told me they were prepared to live in the Croatian state.

[Butkovic] If this is so, does Croatia have the right to regain the occupied territories by force?

[Von Stulpnagel] Right is one thing, and wisdom another.

[Butkovic] You, therefore, want to say that Croatia has the right to a military action, although it would not be a wise move: you are, in fact, the first diplomat in Zagreb acknowledging the right of Croatia to a military action.

[Von Stulpnagel] I am only saying that right is one thing, and wisdom another. Please, quote me word for word.

Article Assesses Failures in Policy on SFRY

AU0201135695 Split NEDJELJNA DALMACIJA in Serbo-Croatian 23 Dec 94 p 4

[Article by Stjepo Martinovic: "A Country of Limited Independence"]

[FBIS Translated Text] Following the euthanasia of Bihac and the confirmation of U.S. inability to prevent the penetration of the Russians, who are following the chetniks in their conquest, Croatia will have to atone for three fundamental fallacies of Croatian policy regarding the collapse of the SFRY. Although no one—least of all Croatia with its (lonely) forces—can restore the memorandum about the unfeasibility of "a small greater Serbia," the Croatian political public has no alternative but to provide answers to a few fundamental questions.

First, why did they chose the wrong time and methods to strike back at the greater-Serbian destruction of Yugoslavia? Why did Croatia enter into a kind of an alliance with Milosevic's regime, trying to affirm the proposition about the imminent collapse of the SFRY as an ideocratic federation, maintaining the position that it had to be "dismantled" into republic states on the model of the 1974 Constitution, aiming to break up the SFRY by exercising the right to the self-determination of its constituent nations (the most numerous of which starts the war, as it does not want political reconciliation of differences in the identification of "ethnic and historical territories")?

Second, why did Croatian policy neglect the universally-known fact that—in the eyes of the West—communism collapsed (only) where it actually existed, i.e. on the territory of the former USSR and the so-called socialist community in its orbit? In other words, that the West could only view the break up of Yugoslavia as the destruction of a federal state in which the reconciliation of ethnic-cultural and economic-social tensions justifies "socialism based on self-management with a human face"—which to those who created it and kept it alive as a geostrategic bulwark against the penetration of the Germans toward the east and against the Russians' descent toward the south is more valuable than the frustration of victims of greater-Serbian despotate.

Third, why was Croatian policy based on the belief that today, after the ethnogenesis of the Bosniac-Muslims in Bosnia-Herzegovina, "a solution for the national question" of all Yugoslav Croats could lie in their separation from the Yugoslav Serbs by (also) dividing "miniature Yugoslavia?"

One answer to all three questions is: Croatian policy, during the lethal crisis of post-Tito Yugoslavia, thought that the crisis would result in something that was not possible.

Their first misconception was the belief that Milosevic's regime stood alone against the Croat-Slovene resistance to "the modern federation" and Bosniak-Macedonian advocates of "asymmetrical federation." It is really amazing that the Croatian leaders did not see the Bush Administration's support for the preservation of "integral and democratic Yugoslavia," that they did not react to neo-Versaillesque signs from London and Paris, that they could not decipher Russia's sudden and renewed interest in the Serb card in the Balkan game of scrabble, that they underestimated the Serbs' ability to use Yugoslav diplomacy to lobby the support of the small countries, from Israel to members of the Nonaligned Movement.... And that they did not see it as a series of obstacles that could be overcome only by means of patient, meticulously-planned, and well- timed actions, not by "breaking Yugoslavia" with nothing but their own reasons and inconvertible sympathy behind their backs!

For, even if Yugoslavia (there is no doubt about it!) was necessary as a political idea about a state territory for coexistence of greater-Serbian hegemony and the national interests of Croatian, Slovene, Bosniak, Macedonian... sub-tenants—even as such, it could (the Great World is absolutely convinced) have continued to exist serving the interests of the above-mentioned factors. The almost unobstructed secession of Slovenia is a case in point: the centers of power, considering its separation irrelevant to the Balkan-control functionality of Srboslavia, opposed the Slovene operetta-like war until the last glimmer of hope in Ante Markovic's capability disappeared. The moment Markovic was stripped of his conviction, Slovenia smoothly slipped out of "former Yugoslavia." Shortly afterward, an agreement was signed protecting Macedonia

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from the Serb war in order to prevent the extra-Yugoslav Balkan-Aegean work of architecture from caving in.

However, not only was Croatia unable to leave Yugoslavia the Slovene way, it did not even want that. Having missed the right time and circumstances to "disengage" the way Martin Spegelj insisted, the Croatian political scene, shaped after the image of the 1990 elections, discovered that gaining independence for its republic over the territory as defined by the AVNOJ [Antifascist Council of National Liberation of Yugoslavia, 1943] was not its goal, but that the goal was to take the critical majority of the Croats (with a special emphasis on its Herceg-Bosnian component) away from the burned remnants of Yugoslavia. This orientation, suppressed by the fact that they formally insisted on recognition of Croatian sovereignty over the territory as defined by the Constitution of the SFRY of 1974, was revealed at the famous meeting in Karadjordjevo, confirmed during the talks between Boban and Karadzic in Graz, rendered operational by the Croat-Muslim conflict, and hushed up by the Washington Agreement on the Bosniak-Croat Federation on the territory of Bosnia-Herzegovina.

Equally interesting is the domestic-policy aspect of that "parallel downhill race" in the form of pressure that "integral brotherhood" exerted on Croatian citizens living in the Republic of Croatia. Instead of taking Croatian citizens residing in Croatia as the key criterion for membership in the Croatian political scene, the emphasis was placed on the Croatian pre-political nation—wherever its members may reside. Good news for "great Croats," bad for those who consider their (hence also other) country to be the only legal area for (self-)recognition of open democratic society!

The second fallacy of Croatian policy is equally serious, but it could—in the long run—have worse consequences. First of all, according to "feelings" of Western centers of power, the historic defeat of communism did not necessarily have to result in the disappearance of "self-managing-socialist" Yugoslavia (although it had to cease acting as a world-in-between) which supported it during the cold-war era; "integral and democratic" Yugoslavia could have remained (survived as) a reformed federal country of nations that have resorted to bloody and destructive wars in regular intervals to solve their national problems.

With regard to that, Croatia was doubly erroneous: if the Great World could accept the disintegration of the SFRY as casually as the decomposition of the USSR and (or) voluntary separation of the Czech Republic and Slovakia, and if the unviability of an ideocratic federation could be refuted with a national program that many critics recognize as a product of 19th century European ideas. For, albeit in pieces, the former USSR remains controlled by the Russian Federation which, introducing order into the post-Soviet part of the "crisis circle," prevents harmful results of such excess from straining western protective mechanisms. On the other hand, the "smooth division" of Czechoslovakia into the Czech Republic and Slovakia slightly changed the geo-political and geo-strategic matrix of the territory of the former federation: both countries joined "Partnership for Peace" at the same time and both are preparing to become members of the European Union.

Regarding the Croatian response to the arguments of the advocates of "integral and democratic" Yugoslavia, it was internationally refuted on three levels: Croatia is not allowed to liberate its territory occupied by the Chetniks "using all available means"; Croatia suffers from Brezhnev-like restricted political independence; Croatia is put to a sarcastically-hair-splitting test of integration institutions of Europe, Maastricht, and NATO.

All this points to the fact that the Croatian policy reasons that resulted in its ambivalence regarding the disintegration of the SFRY rebound on Croatia in the form of the antagonism of power centers toward "nation-building Croatian-ness." The great powers who direct the outcome of "Yugoslav crisis" consider it an unacceptable framework for the reintegration of the "rebel Serbs." It is the cause of doubts in the democratic legitimacy of the Croatian authorities and their "trouble" with the public, freedom of the press, human rights, economic and social equality of citizens.... It is—last but not least—responsible for the lack of conviction of Croatian resistance toward new Yugoslavia, and those who want to push us into it do not lack arguments that we are not ready for full-scale independence!

The third Croatian fallacy is called "bigger Croatia" as a natural by-product of "small greater Serbia." The euthanasia of Bihac is a stage of killing Bosnia-Herzegovina that has unambiguously unveiled the strategy of the British-French-Russian organization for reshaping the "former Yugoslavia" into greater Serbia, which is feasible for the time being. Two simultaneous processes put the finishing touches on the completion of the Serbian "third Yugoslavia." The first process is the rounding-up of the territory on the basis of conquest in the war against the embargo-ridden Croats and the Bosniaks (and future geopolitical "compromises," achieved by blackmailing countries- losers). The second process is designed to maintain the geopolitical weight of the Bosniak-Croat Federation in Bosnia-Herzegovina and the free part of Croatia on the level of enclaves that do not jeopardize the hegemony of "the union of all Serbian lands."

And so, burdened by the said fallacies, Croatia will not emerge from the ruins of the SFRY as "bigger Croatia," but as the Republic of Croatia on the territory as defined by the AVNOJ, swollen after the inclusion of the Croat part of Bosnia-Herzegovina divided by Milosevic. Instead, Croatia receives ultimatums and runs the risk—if the "republic of Serbian Krajina" is recognized as a state and annexed to "small greater Serbia"—of being geopolitically maimed, geoeconomically forced on the brink of existence, and permanently geostrategically wedged between Serbia's hunger for foreign territory and inclinations of the Great World to defend Belgrade's ambition to control the Balkans.

In conclusion, let me say that this article was written with no other purpose but to warn that no one can deal with the consequences of their mistakes before acknowledging and recognizing all their aspects.

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Federal

Jovanovic Views Improved World Standing

AU3012133494 Belgrade INTERVJU in Serbo-Croatian 23 Dec 94 pp 4-9

[Interview with Foreign Minister Vladislav Jovanovic by Miomir Maric; place and date not given: "How Much Does Bosnia Cost?"]

[FBIS Translated Excerpt] [Maric] Has something changed in international policy and relations towards Yugoslavia, or has Yugoslavia's policy changed to such an extent that for the first time ever there are now discussions about the need to rehabilitate Yugoslavia, the need to help Milosevic, and the need to change completely the policy toward Yugoslavia? What has, in fact, happened?

[Jovanovic] The constellation of international relations has in the meantime gone through essential changes as a result of a number of circumstances and the increasing complexity of relations between parts of the structure of the so-called West—since practically everything has hitherto been the West—and Russia which has been going through a transformation. Problems also surfaced from other sides, like the ones from the Islamic world, which has in effect come all the way to European shores via North Africa.

When you sum up all of this, the result is an obvious effort to attain greater objectivity in viewing the Yugoslav crisis, and particularly in searching for a way out of it.

We still cannot claim that we have come out of the tunnel and that the worst is behind us. However, we are now in a position where we no longer have to search frenetically for collocutors and have a hard time finding willing ones. We are now being sought out by others, either for an exchange of opinions, or for aid and cooperation.

[Maric] Official Serbian policy earlier also claimed that it favored peace and a peaceful solution of the crisis in former Yugoslavia. However, it is only now that there is belief in the sincerity of Serbian intentions.

[Jovanovic] Now, when things have clearly fallen into place and have been identified, it is possible to see a relatively unscathed political presence which is the Federal Republic of Yugoslavia [FRY]. You can like it or hate it, but you cannot deny that this is the only practically untouched part of that former Yugoslav region. This reflects our consistent stance, maintained since the beginning of the Yugoslav crisis, that the problem of Yugoslavia will be solved on the basis of the Yugoslav Constitution. We have truly fought for the maintenance of Yugoslavia, but that was no reason to accuse us of being a country that prevented others from exercising their right to leave, providing of course—and we set that condition—that the republics were obliged to do so in agreement with other republics, not unilaterally, or even forcefully.

We insisted on the equal right of all constituent nations to self-determination and secession. The right to secession contained in itself the right to be loyal to the country, if certain parts did not wish to secede. We have not deviated from this line to this very day.

They Wanted To Prove That All Serbs Are Communists

[Maric] Why was there so much suspicion that Serbia's policy was the policy of an aggressor and occupier? Not only the state and leadership, but the Serbs as a nation were satanized.

[Jovanovic] This was done in an almost scientific, Goebbels-like way, extremely primitive and vulgar, but nevertheless excessively open and aggressive.

In order for the secession to be carried out and accepted by the international community, it was necessary to present artificially and by force the republics as being the democratic victims of a conquering, centralist, communist center, embodied in Serbia and the Serbs.

[Maric] Could Serbia have imposed itself as a champion of democracy, since democratic processes in it were incomparably more advanced than in Slovenia and Croatia?

[Jovanovic] We passed up a big chance. Do not forget that President Milosevic—who only surfaced in the political leadership in 1987—five years prior to the beginning of perestroyka in the Soviet Union was the prime advocate of the necessity of abandoning socialist self-management and fully opening up toward a free market. During the time of the famous (Kreiger) commission he was just one of the handful of isolated voices, together with [Macedonian President] Gligorov, while the greatest opponents of a free market and defenders of self-management were precisely [Slovene President] Kucan and Ante Markovic, who were later presented as being the greatest supporters of democratic changes. This only shows that the number one man in Serbia had enough individual powers to be able to envisage a long time before Gorbachev the ways to overcome the Yugoslav economic crisis [sentence as published].

The man who at that time held such stances cannot be forced into the mold of dogmatism, schematism, Stalinism, Bolshevism. Maybe some other "ism" could be found which would suit him better, but certainly not these that have been intentionally thought up in order to discredit him in the international community's eyes.

Serbia was at the time busy routing the separatist rebellion of the Albanians in Kosovo, who turned their backs on all the rights they had and demanded that to which they really have no right at all. Namely, an independent state. In the hardest of circumstances, when a general Yugoslav crisis was at hand, Serbia and its new leadership had to establish Serbia's state unity as soon as possible since there was pressure from all sides to collapse even the little formal unity that was still in existence and to partition Serbia into three independent state segments and narrow it down to the Belgrade pashadom [Beogradski pasaluk].

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Who Invented the Counterrevolution in Kosovo

[Jovanovic continues] Not only did the other republics interfere in events in Kosovo, they even encouraged the Albanians to rebel. At the time I was already in the Foreign Ministry and I remember very well how at meetings Josip Vrhovec, who was foreign minister at the time, did everything to obscure the truth about the rebellion and to block any effort to present the international community with an accurate explanation of what was actually going on. The thesis of an attempted counterrevolution was launched intentionally in order to gain sympathy for the rebelling separatists.

[Maric] Nothing bad was ever written in the world about Serbia and the Serbs up until the time of the Kosovo events? That was the first time the Senate passed certain resolutions requesting that the Serbs stop violating the Albanians' rights. Some experts even maintain that the war was supposed to start in Kosovo and that it was thanks to the Serbian leadership's great wisdom that the war, since it could not be prevented, was at least moved outside of Serbia.

[Jovanovic] That is one possible interpretation. However, one thing is certain: The separatist explosion in Kosovo did not happen by itself. The majority of the Western diplomatic corps in Belgrade and the greatest part of the influential press suddenly began sympathizing with the so-called Albanian national issue in a country which like no other country in the world granted a national minority the greatest possible leeway in national, cultural, and political rights.

You must not forget that in the early eighties, contacts with numerous Western diplomats encouraged the thesis that the only way out of the accumulated tensions was the further decentralization of the country. Such open suggestions came from my colleagues—Italian and some other—while I was ambassador to Turkey, that the solution should be looked for in further, even greater decentralization.

If we know that the decentralization from the 1974 Constitution was a death blow to Yugoslavia, you can only imagine what further decentralization would mean. A confederation would only have enabled various parts to walk freely away from Yugoslavia with our blessing, the blessing of us who represented Yugoslavia and who wished to remain in it and keep the rights that this same Yugoslavia had granted to us.

Why Did The Serbs Not Have Someone of Their Own in The World?

[Maric] Why were the Serbs unable to find a single party that would be a reliable guarantor of their interests, and why could they not fit into this new vision of Europe and the world after the fall of communism?

[Jovanovic] We were caught by surprise because as Serbs we regarded Yugoslavia since the time of its founding as 100 percent ours. We did not even think about the fact that our mutual country could ever be in a situation where its continued survival would be called into question.

[Maric] The policy of the rest of federal Yugoslavia was entirely based on international law. However, the people you reminded of international law probably laughed at you. You were obviously more intent on looking through dusty papers than at the true balance of power in the world.

[Jovanovic] Of course we also considered the balance of power, the snag is that is was extremely unfavorable for us.

[Maric] You were invoking rights which no one was observing any longer.

[Jovanovic] We were invoking rights which really were not being observed at the time, but which will someday have to be acknowledged if a solution to the Yugoslav crisis is to be found.

[Maric] Serbia and the Serbian people could have fared much better had they agreed to comply with the new international world order with which more powerful nations than ourselves complied.

[Jovanovic] But our country was attacked—from within and from outside—because its internationally recognized borders were attacked. I believe that we should not have allowed any part of our country to secede under pressure from the rebels and their supporters from abroad. Every seed of rebellion and secession should have been quickly and efficiently suppressed. The world expected us to do so, but at the time we did not have an efficient enough federal leadership, but a traitorous one. The United States at the time made it openly clear that we should take care of the business quickly, with as little bloodshed as possible. [passage omitted]

Serbia's War Objectives

[Maric] Did Serbia have any war objective?

[Jovanovic] I have never either heard or seen of the existence of such a document. The fact is that we were fighting for the federal option, the maintenance of Yugoslavia, which was always unacceptable to those who wished to shatter it and leave.

The Serbs in Croatia voted in a referendum to stay in Yugoslavia, but only after the new Croatian leadership in a referendum obtained the support of the Croatian people for political secession. However, they and their Yugoslav option were abandoned by the majority of Croats in Croatia.

The conference on Yugoslavia in The Hague at one of its first meetings came to a firm conclusion: No single breakaway republic will be recognized as an independent state until all issues pertaining to their secession are solved and until the international conference ends. This solemn conclusion proposed by the EC was read out by Lord Carrington. However, only a month and a half later, this conclusion was called into question first by the

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Maastricht decision, and then by Germany's blitzkrieg onto which the EC immediately latched. When we protested to Lord Carrington that this was a harsh violation of the joint conclusion, he—in a nonchalant and lordly manner—said to us: "Toss it out of the window! This is something that no longer exists!"

When we spoke to other ministers, no one denied our arguments: They were strong and legitimate, based on legal, moral, and historical reasons. In contrast to all this, they constantly repeated: "This is our stance, we want it this way, and that is the way it is going to be!"

When former Prime Minister Milan Panic and I went to the Foreign Office on one of his circus-like jaunts to European capitals (I say circus-like because they were disorganized, otherwise, in themselves, they were not a bad idea), we were received by Major. He and Douglas Hogg, undersecretary for foreign affairs, used unusually sharp and extremely insulting and intolerant language when addressing Yugoslavia. They set conditions that we had to fulfill immediately: We are to become a new state, any continuity is out of the question, we must accept all conditions formulated by the EC in order to be recognized as a state. We rejected all of this and when I presented our arguments, they told us openly: Okay, we are not denying your claims, but we want it this way and you had better comply!

Genscher Was Extremely Tolerant and Peaceful

[Maric] Did you have talks with [former] German Foreign Minister Genscher?

[Jovanovic] Yes, on a couple of occasions. He was playing the objective onlooker, who only wishes good for all the Yugoslav peoples. He told us that we have to allow those who have already done so and who wish to do so to leave Yugoslavia and that we have to recognize them, which would make it easier for them to talk to us. Furthermore, he said the fighting around Vukovar and in other places had to end immediately, the Serbs in Krajina have to recognize the Croatian leadership, and we have to recognize Croatia and Slovenia, and then everything would be all right.

[Maric] And Genscher supposedly had pro-Yugoslav inclinations?

[Jovanovic] Yes, for as long as Germany needed a nonaligned Yugoslavia to pressure the former Soviet Union. However, he brilliantly perceived Germany's historic chance to use its unification, the disintegration of the communist system in the East, and the surfacing of our Yugoslav crisis for a blitzkrieg designed to break up Yugoslavia.

Let me just say that Genscher was also quite obscure, the language he used was not the language of threats. He asked us to deliver certain messages to President Milosevic and the Yugoslav leadership. He was far from harsh. On the contrary, he cultivated a quite courteous and acceptable manner. He was pulling the strings from the shadows, he did not reveal much publicly. However, it turned out that it was precisely he, who at the meeting of the European 12 demanded the immediate recognition of Slovenia and Croatia, and restrictive measures and economic sanctions against Yugoslavia. He advocated the policy of double standards: He favored the breakaway republics and punished those who remained loyal to Yugoslavia.

In my opinion, the British were the most brutal. Particularly Carrington, who almost unpleasantly insisted that his paper be adopted in The Hague—just as it was—without any changes, although we said that we would accept 98 percent, but that we cannot accept the fact that our country had simply ceased to exist. We accepted everything except the discontinuity of Yugoslavia and a "special status" for minorities in Serbia. Why the "special status" for us who stayed in Yugoslavia, who did not cause the crisis and who were not part of it, and not for others who caused all of this?

They Wanted the Serbs Everywhere To Remain an Ethnic Minority

[Jovanovic continues] However, the international community envisaged only minority status for the Serbs in Krajina and Bosnia, who would be protected in line with international standards, and perhaps eventually, some form of special status would be granted. But not the status of a constituent nation.

Finally the EC called a referendum for Bosnia, by asking Bosnia to hold a referendum to declare whether it favored independence or not. They were aware that this was a violation of constitutional law and the principle of a consensus of three peoples, but they ignored all this and in this way maintained the position that the Serbs are a minority, because it they are outvoted they are no longer a constituent nation but an ethnic minority which has the right to protection according to international standards. However, this is a significant lowering of the level of their status and rights, which they were right never to accept and which turned out to be completely justified.

Now they have recognized not only what they already had, but more than that; they have recognized them as the majority on a certain percent of Bosnia-Herzegovina territory, and in the form of a state.

[Maric] After everything, you travel to Zagreb, to Tudjman, as a foreigner. How far have these diplomatic, Serbian-Croatian talks advanced?

[Jovanovic] Well, you know, they are very exclusive, particularly President Tudjman. He has a peculiar style, an idea about himself and his personality that is rather pompous. On the other hand, he has quite an exclusive political stance, his view of the situation in Croatia, and his view of the Serbs' place in the Krajina. In his view they are extremists, terrorists, people who do not deserve to be assessed in any other way. And therefore, there is not much space for a true dialogue or an exchange of opinions. His nature and his temperament cannot tolerate this.

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Foreign Minister Mate Granic has an entirely different nature. He is far more calm and tolerant, ready to listen to a different opinion, but he is just as persistent in defending his stance.

[Maric] Is everything over? Will the Serbs remain in Croatia, and are you now covertly negotiating the degree of their autonomy?

[Jovanovic] Nothing is over. There is the actual situation and the international document—the Vance plan—which temporarily sanctions this situation. The Serbs have all the attributes of statehood, and the highest authority in the Krajina in this period belongs to the United Nations, not Croatia. It is both Croatia's and the Security Council's mistaken stance that the Krajina is an occupied part of Croatia and that Croatia has sovereignty over Krajina. This is pure fiction, and as such untenable. Sovereignty has been delegated to the United Nations, until direct political talks between Knin and Zagreb decide otherwise. When and what will be decided, and Krajina's political future depends on the negotiating sides. It is difficult to say in advance what could happen.

According to what Croatia is currently offering the Serbs, the so-called loyal Serbs in Croatia, it is difficult even to imagine that the people in Krajina could envisage a joint existence with the Croats in a joint state. Because if the Croatian authorities treat the loyal Serbs in such a way, how would it treat those that it considers to be renegades and rebels?

In order for Croatia to be realistically able to expect a solution that is in line with its wishes, it first radically needs to change its stance toward the Serbs in Croatia. First it needs to reinstate their right—which it took away—to be a state- building nation, then to reinstate all the other rights it has violated, owing to which 400,000 Serbs had to leave Croatia as the result of a fine and precisely calculated ethnic cleansing.

The Croats Would Like To Take Revenge on Krajina

[Maric] What exactly are you negotiating then?

[Jovanovic] Croatia is demanding immediate recognition in the Anti-Fascist Council of National Liberation of Yugoslavia borders, in return for which it would support the lifting of the sanctions. After this we can normalize relations, establish diplomatic relations, and all reap advantages from this. In other words, it is asking us—as cosignatories of the Vance plan—to violate the plan which specifically states that the UN protection over this territory is of a temporary nature and that it in no way prejudges the final political solution which has to be agreed between the representatives of Knin and Zagreb.

Croatia so far has not done anything to gain the trust of the Serbs in Krajina. In these two and a half years it has carried out three major military invasions and aggressions against the territory. In addition to this, it has caused hundreds, if not thousands of incidents which have cost a great number of Krajina citizens their lives. By setting practically impossible conditions, Croatia is blocking any type of agreement, which is perhaps what it wants at the moment, since it is obviously more oriented toward exacerbating the situation than true cooperation. This exacerbation is evident toward both the Krajina and ourselves in a series of actions in international forums where Croatia is conducting an enemy campaign. [passage omitted]

[Maric] Who received you and with whom did you hold talks when you attended the UN General Assembly session in the United States few months ago?

[Jovanovic] I was received everywhere as the FRY foreign minister without any limitations. I held some 10 meetings and talks with the ministers and UN officials.

I did not seek to meet U.S. representative Madeleine Albright and when I spoke she demonstratively left the hall. When the former Soviet diplomats and ministers used to do that in the past the so-called democratic West laughed at them as an example of lack of culture and immaturity. This is the ultimate in childishness because nothing is gained by it and it does not demonstrate dissatisfaction with a policy or a personality.

For the time being we have no contacts with senior U.S. officials. Our last meeting was with Eagleburger when I was still a minister in the Serbian government. That was a truly warm meeting, even unusually promising from the U.S. side. On that occasion, Eagleburger accepted our views as very realistic, objective, and positive.

Why Milosevic Did Not Visit the United States Although He Was Invited

[Maric] In summer 1992 there was some talk about a possibility that Milosevic would visit the United States?

[Jovanovic] He truly was invited by a congressman to come for a working breakfast of a private nature that is organized annually and attended by the U.S. President and others. I believe that some other people from the former Yugoslavia afterward took advantage of this. Eagleburger then advocated a very constructive stance regarding our state continuity. He even mentioned the precedent created by Russia after the disappearance of the Soviet Union as something that is to our advantage, recalling the historic days that had preceded it.

[Maric] However, a month or two after your talks this very same Eagleburger as the U.S. Secretary of State even put the Serbian President on the list of war criminals?

[Jovanovic] The outbreak of war in Bosnia took the United States by surprise although it should not have surprised it at all. We were saying that they should not be playing with fire, however, it was evident that the U.S Embassy in Belgrade at that time sent rather biased information to its government, convincing them that the policy of an accomplished fact could cut through many a Gordian knot, that after this the remainder of Yugoslavia would be a lot weaker and things would shortly fit

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in its place. It is definite that some European representatives, especially Germans but perhaps also others, have strongly seconded this view. In this way even the otherwise reserved U.S. policy became a victim of this bias.

President Milosevic in The Hague did the biggest service that one possibly could to the United States, by supporting Cutilheiro's plan which contained all the elements of a political solution for an independent Bosnia-Herzegovina, for which the consensus of all three constituent peoples existed. He even promised that we would be the first one to recognize it, if only we were allowed to complete this process within a few weeks. U.S. Ambassador Zimmerman pointedly asked Izetbegovic why he had accepted the cantontal division of Bosnia in Lisbon at all if that was contrary to his beliefs.

[Maric] Although your conflict with former Prime Minister Milan Panic was about an essential issue—whether to fight for the continuity of the old Yugoslavia or seek recognition for the new state—your resignation was in the domestic and international public linked to the conflict that emerged at the London Conference. Why did you not react to speculations that you were allegedly bugging Panic? How much of this was true?

[Jovanovic] Listen, his behavior beforehand, also in London was, as you reporters like to simplify, unsuitable. I do not like this word but I use it simply to portray his very coarse and dissonant behavior, not merely toward a delegation of the country which he represented but also toward other participants.

He usurped the power and tried to portray himself as the number one man. He humiliated our country very much and was willing to accept literally everything that others proposed; well, almost everything. [passage omitted]

Milosevic Was Scandalized by Things the World Wrote About Him

[Maric] Throughout the struggle for Serbia's new place in the world, you were always at the side of Milosevic, who was at the beginning demonized like no other statesman in the world and who has only recently been somewhat rehabilitated as the factor of peace and the key man in the Balkans, from whose initiative the future of the Balkans and a sort of new organization on this territory depends.

[Jovanovic] This campaign against the Serbian nation and its President Milosevic, which will very soon transpire to be a very dirty and shameful deed and which did not serve even those who agreed to take part in it, is still going on.

The majority of responsible politicians today conclude that they have discovered a first-class personality in Milosevic, a man with the most pronounced statesmanlike qualities in comparison with all other political personalities in the former Yugoslavia. They have gained or are gaining an impression that one can do business with him and that he keeps his word.

[Maric] Not for a single moment did he doubt that he was right. He always said that the truth and justice will triumph eventually.

[Jovanovic] Even when I did not know him, when I merely heard of him, I sensed a truly powerful and original political personality in him. We have not had a man of such format, such intuition, and such willpower since Pasic [leader of the Serbian Radical Party and Serbian prime minister and foreign minister before World War I].

In any case, President Milosevic never hesitated about the correctness of his basic political strategy, which is that others cannot be given more rights than the Serbs.

We have done everything to avoid casualties or to have as few casualties as possible. Unfortunately, we did not succeed. Our brothers in Bosnia would not have risked anything by accepting the Vance-Owen plan or the Contact Group plan. Not because these two plans were good, I would rather say that they were bad, however, precisely because the Serbs in Bosnia were convinced that the plans were bad they should have rejected them with their acceptance [sentence as published]. Others would immediately have taken care that these plans be thwarted. Others, and not the Bosnian Serbs, are interested in continuation of the war in Bosnia and the creation of a unitary Bosnia.

[Maric] How the president behaved you should know best as a man close to him, a minister, and an observer of this cat and mouse game through which the fate of our country and people was being resolved.

[Jovanovic] The EC immediately applied a jackboot policy, immediately insisted on decisions that were already passed and which our side was merely supposed to ratify.

During a visit by the European "troika" at the beginning of August 1991, the Serbs in Croatia were only referred to as an ethnic minority, although that was the time of Croatia's uprising against the legal authorities in Yugoslavia, and the time when the applicable Yugoslav Constitution guaranteed the constitutional rights to the Serbs and the Croats alike.

President Milosevic on that occasion looked at Van den Broek and said: "Excuse me, are you expressing your own opinion or is this the view of the EU? If this is your personal view or the view of the EU, then this discussion is over and we have nothing else to discuss! If the position of the union is that the Serbs are an ethnic minority and not a people like the Croats, then we have nothing to discuss and our conversation is over."

Then they started to backpedal, saying that these were their personal opinions.

Lord Carrington tried to apply to concept of "warring tribes" from Rhodesia. One of the reasons why the union and Carrington failed was that they tried to apply the

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African model of disintegration of colonies to us and make the internal divisions permanent.

Cyrus Vance Adored Milosevic

[Maric] On the other hand, it has been rumored that Cyrus Vance simply adored Milosevic.

[Jovanovic] My first impression was that all statesmen who came in contact with Milosevic after few meetings discovered a statesman of outstanding qualities, regardless of the fact that they were coming here to plot against him, believing that ultimately they would be able to topple him.

Carrington was rather coarse at moments and so was Owen. The presiding EU ministers were also rather unpleasant and coarse, because they were coming with a mission to impose conditions and issue ultimatums, wait for an obedient reply, and leave. However, essentially they merely made fools of themselves. This position of inequality could not pass with a politician of Milosevic's format.

[Maric] He would not allow the war to spread on Serbia's territory, as they perhaps wanted?

[Jovanovic] They tried, there were many of such scenarios, and this was one of the main goals of prolonging the crisis and the war in Bosnia-Herzegovina. Raska was supposed to flare up, Kosovo....

[Maric] How was it possible at all that Serbia was so satanized and vilified, when there was not even a war here?

[Jovanovic] First of all, why should there be a war here? They tried to arouse social tensions and turn a part of the nation against its leadership. Since the Serbs have unfortunately been susceptible to this syndrome since the times of the Nemanjic dynasty [Serbian medieval royal family], they cleverly played this card by confronting various political leaders and parties, manipulating Milan Panic, starving people, and thus raising discontent among poorer classes in an organized fashion.

[Maric] There truly was no reason for the United States to be opposed to the Serbs' desire to remain in their own state?

[Jovanovic] There were actually more reasons for them to support this, juding by how they fought their own secessionists and how they constantly championed strong state entities. However, they were probably exposed to the influence of information from Germany and the Vatican, and, naturally, also from their own people.

The bottom line was that they succumbed to this false representation that our former western republics were the bearers of democratic ideas. They viewed it in black and white and on the basis of this determined their policy. Through this fog and smokescreen the secessionism passed as a great benefit to democracy within the context of overall democracy. They said: "This should be supported and acknowledged because the barbaric onslaught of authoritarianism, bolshevism, and Serbo-Communism was coming from the east, and so forth."

The image that was created did not correspond to the reality in the slightest, because somebody like Tudjman cannot assert himself as a champion of democracy, nor can Kucan, who opposed free market economy in 1981 and was the fiercest critic of Milosevic and Gilgorov, overnight turn into a champion of the free market economy and democracy.

Secret Talks Aboard "Invincible" Anchored Somewhere in the Adriatic

[Maric] Was there anyone to whom we were particularly sympathetic? Cyrus Vance, for example?

[Jovanovic] He was, nevertheless, a man who offered principled solutions. He very quickly got on a first-name basis with Milosevic, and used his own initative. They had telephone and other contacts very frequently. Vance very much tried to keep the promises he made. Milosevic, too, kept his.

Vance also tried some things; however, he was out of his time. The U.S. Administration applies a policy that is merciless toward those who have dismounted the horse and left the administration, unless they are institutions per se, such as experts Kissinger and Brzezinski.

Vance always used to say that Yugoslavia should not have been dismantled, that the principle of legality should be observed. Anyone could have gone, however, by paying bills to others first and not the way they have done it. However, the things run their course and he could not stop that. Others have done this. He condemned Germany the most. He advocated honoring the Hague Conference conclusions about not recognizing the seceded republics. He believed that the conference should first resolve all controversial issues and that the new states be recognized afterward, as this would have been a peaceful divorce. This was and remains our position, regardless of the fact that Carrington used to say that we could throw it in the wind: Yugoslavia used to but no longer exists."

Our cooperativeness and observation of principles were subsequently highly valued by Owen and Stoltenberg. The contribution that Milosevic made to all these talks concerning the plans, in Geneva, on the boat, and in other places [sentence as published].

[Maric] Where is this boat?

[Jovanovic] Somewhere in the Adriatic, they took us there by night. It was a bit of a secret operation. We were transferred with a British helicopter, in Tivat we boarded some old British helicopter that shook terribly, and then they lowered us on the deck. After we left the helicopter and walked some distance on the deck, suddenly, just like in a story, the floor started descending—there were those shock absorbers—and suddenly we

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found ourseves in a salon. It was a medium size carrier as far as we could see, namely, it was night. The salon was surrounded by various bedrooms used by British officers who were in these delegations.

[Maric] What sort of an agreement was reached?

[Jovanovic] Actually, what had been agreed earlier was finalized there. We reached an official consensus on the percentages in division of territory. Everthing, practically, was harmonized. Precisely there, and not in Geneva, Izetbegovic offered to Karadzic a declaration about the Bosnian Serbs' right to leave the Bosnian union by paying a certain ransom.

[Maric] How much money did he demand?

[Jovanovic] He did not specify, he only said that this should be a certain percentage, just as if Bosnia were his. He said something along the line, if you want to become free men you must pay for the freedom and you can go. This was roughly the oriental reasoning of his.

He behaved like a Turkish pasha. This was the declaration that they signed and by which Izetbegovic for the first time not only accepted but also initiated an idea that the Serbs could leave Bosnia-Herzegovina. This was not realized because had Karadzic proposed a sum it might have been better. The fact is that this offer was made in writing and an agreement reached.

Government To Cooperate With War Crimes Tribunal

LD0301151695 Belgrade TANJUG in English 1444 GMT 3 Jan 95

["Pool" item]

[FBIS Transcribed Text] New York, Jan. 3 (TANJUG)—The Yugoslav Government has informed the United Nations secretary-general that it is ready to cooperate with the international tribunal for war crimes in former Yugoslavia.

Yugoslav Ambassador to the U.N. Dragomir Djokic on Tuesday submitted to Butrus Butrus-Ghali a copy of Yugoslav Justice Minister Uros Klikovac's letter to Chief Prosecutor of The Hague International Tribunal Richard Goldstone.

The letter says a legal licence would be provided for relevant Yugoslav bodies to submit to the tribunal documents relating to war crimes in cases when Yugoslav courts are unable to prosecute.

When the international tribunal or its prosecutors officially address the Federal Republic of Yugoslavia, their officials will be allowed to attend hearings before Yugoslav courts. This means that they will be allowed to put questions and request additional explanation, but only through the investigating judge.

Minister Klikovac informed Goldstone that Yugoslav organs would also start criminal proceedings on the basis of evidence received from him personally or the tribunal in cases where there is a legal basis for prosecution under Yugoslav laws.

Concerning Goldstone's request that a liaison officer be posted in Belgrade, the Yugoslav Government has agreed that one tribunal official could be based in Belgrade as part of the U.N. Protection Force (UNPROFOR).

However, he would not have the right to act publicly, to wear symbols of the tribunal or to start any kind of proceedings.

The tribunal official would be allowed to maintain contacts with relevant federal and republican bodies and non-governmental organizations.

He would enjoy the same righs and immunity as all other U.N. officials.

Klikovac said such conditions were in keeping with the fact that there had been no war in the territory of the Federal Republic of Yugoslavia and that, consequently, no war crimes had been committed there.

The letter also warns that the tribunal's impartiality and future cooperation are seriously undermined by the fact that the tribunal has so far brought charges only against two Serbs.

State Budget Equated to 'Highway Robbery'

AU0401121395 Belgrade BORBA (Alternative Edition) in Serbo-Croatian 30 Dec 94 p 10

[Commentary by Misa Brkic: "Pay Tribute, People, Pay Tribute"]

[FBIS Translated Text] All three states here, and two of them certainly—the Federal and Serbian—behave in a God-like manner. Before wishing their subjects a happy new year, Federal and Serbian tax collectors fashioned for themselves such coffers and such a treasury that it really looked as if everything would be happy and fruitful for them in the coming year. Serbian and Yugoslav state accounts seem to be overly healthy, but the taxpayers, on the other hand, already started ailing.

The Federal State sequestered 2 billion dinars or so for itself from something called the future gross national product, and the Serbian budget appetite was satisfied with no more nor less than 5 billion "avrams" [new dinar established by Governor Avramovic]. Sparks fly in parliamentary debates everywhere in the world when the coming year's accounts are made, and in not so rare cases, under taxpayer pressure, both governments and prime ministers could be thrown on the "scrap heap." What has been happening in our country over the past several days?

In an almost idyllic budget debate, FRY [Federal Republic of Yugoslavia] Prime Minister Kontic and his Finance Minister Zebic, as well as Serbian Prime Minister Marjanovic and Serbian Finance Minister Vlatkovic easily defended Yugoslavia's and Serbia's public

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finances although they have obviously been made on the principle of highway robbery.

Although as early as at the beginning of autumn, Serbian President Milosevic decreed 1995 a year of stabilization, his states tailored their budget like drunken billionaires. At the same time, they incessantly prattle that next year we will all have to behave modestly and humbly. There is no doubt that against their will, both the economy and population will respect the president's order to tighten their belts. After all, the authorities have some very well elaborated methods of siphoning all the even moderately large assets from enterprises or citizens, only if they believe that they may still have a few pennies left in the account.

The hypocrisy of spendthrift states hides behind the terminological hodgepodge of "a balanced, restrictive, and stable budget." If there is anything this regime may be praised for, it is its aptitude for financial tricks and malversations. The state budget for the coming fiscal year is exactly that—a great financial deceit that should tell ordinary people that we are speeding towards new working victories, despite all the difficulties.

Up until a short time before the budget was adopted, people from on high were trying to convince us that our states were going to behave extremely restrictively and that they were going to spend less in order to help preserve the dinar. In the end it turned out that the Serbian budget will be about 74 percent higher and the Federal about 26 percent higher than this year's, and that public expenditure will exceed two-thirds of the planned gross national product.

In well-to-do and economically run houses, people knew the famous saying of "cutting the coat according to the cloth." It seems that budget planners knew about it too, and did their best to stretch the cloth as far as it could go. Therefore, state expenses for the coming year were made according to the false size of the Serbian and Yugoslav economy this year: Its size has been artificially blown up by taking into consideration December prices alone (and not an annual average) and writing down the projected next year's inflation into this year's gross national product. All this also included the prediction that next year, the GNP will grow by 7 percent and prices will remain stagnant in the first 12 months.

On the basis of such provisional, dishonest, farfetched, and construed mathematics, state financiers have estimated that to function normally, the Serbian state needs 5 billion and the federal state 2 billion dinars. Intoxicated by another parliamentary victory over the opposition, and affected by the hangover, the ruling party's deputies have forgotten the most ordinary question usually asked in cafes: "Pardon me mate, and who is going to pay for all this?" Had they pondered that issue, they would hardly have had the courage to appear before the voters and explain the unbearable burden to them.

The most cynical are nevertheless the statements that the state is not going to have Topcider [state mint] back its budget and will therefore stop generating inflation. Therefore, the state will be financed from real sources of income until it manages to bury the last enterprise and the last surviving citizen. Our state will survive until its taxpayers' last drop of blood.

Since last March, the Yugoslav economic miracle worker, Governor Avramovic, had been warning that ours is an expensive, awkward, and uneconomical state, and that we must urgently revise the fiscal system. The entire story Avramovic has told so far looked like tilting at windmills. Even his last warning was not considered a prescription to be taken into consideration by budget-makers. Next year, therefore, everything will remain the same: A repressive, totalitarian, arrogant, and unstimulating state will be a place where nobody will feel good. Except for civil servants and the police.

Serbia

Milosevic Receives Owen, Stoltenberg in Belgrade

LD0301175395 Belgrade TANJUG Domestic Service in Serbo-Croatian 1722 GMT 3 Jan 95

[FBIS Translated Text] Belgrade, 3 Jan (TANJUG)—Serbian President Slobodan Milosevic today received Lord Owen and Thorvald Stoltenberg, the cochairmen of the Geneva conference, and colleagues, who arrived in Belgrade today, the office of the Serbian president has announced.

In cordial and friendly talks, Cochairmen Owen and Stoltenberg informed President Milosevic about the results achieved so far in the framework of the negotiating process between Knin and Zagreb, and especially about the progress achieved relating to the realization of the agreement to normalize their economic relations.

It was stressed that the positive development of the peace process in this area is contributing to the overall relaxation of tensions and represents the only sure route to a lasting and stable peace.

It was also stressed that the agreement just reached on a complete cessation of hostilities in the former Bosnia-Herzegovina opens up the prospects for a peaceful outcome in this area, something which undoubtedly signifies a step in the direction of the political ending of the crisis and a victory for the forces of peace, the statement says.

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